

**HEARTS WITH A MISSION**

**AUDIT REPORT**

**For the Year Ended**

**June 30, 2023**

**RICHARD W. BREWSTER, CPA, PC**

CERTIFIED PUBLIC ACCOUNTANT  
MEDFORD



**HEARTS WITH A MISSION**  
*For the Year Ended June 30, 2023*

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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

### **Opinion**

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, 2023, 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, 2023, 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.



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Richard W. Brewster  
Certified Public Accountant  
September 18, 2023



**FINANCIAL STATEMENT**

**HEARTS WITH A MISSION**  
**Statement of Financial Position**  
*June 30, 2023*

	<b>2023</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 467,490
Cash and cash equivalents temporarily restricted	201,850
Investments	1,318,000
Prepaid expense	27,842
Governmental contracts receivable	311,886
Total current assets	2,327,068
Land, buildings, and equipment	2,434,109
Less accumulated depreciation	(515,193)
Net buildings and equipment	1,918,916
Other assets	
Software (net of accumulated amortization of \$16,470)	65,881
City Life, LLC - partnership	358,744
Total other assets	424,625
<b>TOTAL ASSETS</b>	<b>\$ 4,670,609</b>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities	
Accounts payable	\$ 31,923
Accrued payroll	100,038
Vacation payable	70,552
Deferred revenue	201,850
Current portion of long-term debt	47,650
Total current liabilities	452,013
Long-term debt	553,918
<b>TOTAL LIABILITIES</b>	<b>1,005,931</b>
<b>NET ASSETS</b>	
Without donor restrictions	3,664,678
With donor restrictions	-
<b>TOTAL NET ASSETS</b>	<b>3,664,678</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,670,609</b>

See notes to financial statements.

**HEARTS WITH A MISSION**  
**Statement of Activities**  
*For the Year Ended June 30, 2023*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>
<b>REVENUES AND SUPPORT</b>			
Direct public support			
Fundraising events	\$ 314,421	\$ -	\$ 314,421
Individual contributions	519,572		519,572
Business contributions	81,054		81,054
Grants		315,767	315,767
Government contracts	2,326,871		2,326,871
In-kind contributions	19,871		19,871
Interest income	26,542		26,542
Service revenue and reimbursements	39,390		39,390
Other support			
Net assets released from restrictions			
Satisfaction of program restrictions	<u>315,767</u>	<u>(315,767)</u>	<u>-</u>
Total direct public support	<u>3,643,488</u>	<u>-</u>	<u>3,643,488</u>
<b>Total revenue and support</b>	<u>3,643,488</u>	<u>-</u>	<u>3,643,488</u>
<b>EXPENSES</b>			
Program expense	2,478,036		2,478,036
Administrative expenses	283,954		283,954
Fundraising expenses	<u>184,686</u>		<u>184,686</u>
<b>TOTAL EXPENSES</b>	<u>2,946,676</u>	<u>-</u>	<u>2,946,676</u>
<b>CHANGE IN NET ASSETS</b>	696,812	-	696,812
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>2,967,866</u>	<u>-</u>	<u>2,967,866</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 3,664,678</u>	<u>\$ -</u>	<u>\$ 3,664,678</u>

See notes to the financial statements.

**HEARTS WITH A MISSION**  
**Statement of Functional Expenses**  
*For the Year Ended June 30, 2023*

	Jackson County Youth Program	Josephine County Youth Program	Lincoln County Safe Families	Klamath County Safe Families
Salaries	\$ 1,115,655	\$ 308,368	\$ 121,640	\$ 122,770
Payroll taxes	81,471	22,636	8,936	9,319
Employee benefits	76,956	23,042	15,610	11,288
Other payroll related expenses	15,777	4,471	1,490	919
Total payroll and payroll taxes	<u>1,289,859</u>	<u>358,517</u>	<u>147,676</u>	<u>144,296</u>
Professional fees				
Bank charges	8,143	4,216	102	76
Outside services	7,151	40,502		
Advertising	11,256	5,715	1,918	9,565
Office	12,215	2,873	1,912	2,019
Records management	23,603	5,407	798	798
SFFC Background Checks	1,550	550	850	1,050
Occupancy	30,548	7,566	839	4,681
Utilities	29,937	13,265		
Training, travel, meetings	17,076	3,150	6,063	4,111
Insurance	33,915	10,441	1,065	1,066
Fundraising events	11,156	12,788		
Youth related expenses	35,018	7,488	2,348	2,324
Janitorial	29,811	3,878	573	
Software service				
Miscellaneous				
Postage	49	69	50	75
Copier service fees	956	391		
License and fees	3,136	1,891	3,583	1,844
Interest expense	12,596	2,786		
Depreciation & amortization	45,659	45,155		
Total functional expenses	<u>\$ 1,603,634</u>	<u>\$ 526,648</u>	<u>\$ 167,777</u>	<u>\$ 171,905</u>
Percentage of total	<u>54.4%</u>	<u>17.9%</u>	<u>5.7%</u>	<u>5.8%</u>

See notes to the financial statements.

<b>Douglas County Safe Families</b>	<b>Total Program Expenses</b>	<b>Administrative Expenses</b>	<b>Fundraising Expenses</b>	<b>2023Total</b>	<b>(Memorandum Only) 2022 Total</b>
\$ 5,798	\$ 1,674,231	\$ 191,510	\$ 71,654	\$ 1,937,395	\$ 1,891,837
426	122,788	14,367	5,270	142,425	145,721
	126,896	17,213	5,537	149,646	131,110
23	22,680	3,740	927	27,347	76,202
6,247	1,946,595	226,830	83,388	2,256,813	2,244,870
	-	20,005		20,005	11,620
	12,537	1,129		13,666	11,367
	47,653	6,735		54,388	62,948
749	29,203		10,311	39,514	41,516
476	19,495	7,555	11,332	38,382	22,547
41	30,647			30,647	12,402
	4,000			4,000	5,900
3	43,637	8,603		52,240	78,344
	43,202	1,400	3,268	47,870	24,136
412	30,812	4,588	3,498	38,898	32,825
	46,487	4,222	1,407	52,116	39,820
	23,944		64,786	88,730	25,868
106	47,284	500		47,784	36,452
	34,262	106	225	34,593	25,246
	-			-	36,159
	-			-	1,036
38	281	708	472	1,461	1,445
	1,347			1,347	3,564
	10,454	1,573		12,027	9,347
	15,382			15,382	16,362
	90,814		5,999	96,813	96,640
<u>\$ 8,072</u>	<u>\$ 2,478,036</u>	<u>\$ 283,954</u>	<u>\$ 184,686</u>	<u>\$ 2,946,676</u>	<u>\$ 2,840,414</u>
<u>0.3%</u>	<u>84.1%</u>	<u>9.6%</u>	<u>6.3%</u>	<u>100.0%</u>	<u>100.0%</u>

**HEARTS WITH A MISSION**  
**Statement of Cash Flows**  
*For the Year Ended June 30, 2023*

	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 696,812
Adjustments to reconcile change in net assets to net cash from operating activities	
Noncash donated meals and services	19,871
Noncash operating expense	(19,871)
Depreciation	96,813
(Increase) decrease in receivables	(238,768)
(Increase) decrease in prepaid expense	(26,992)
Increase (decrease) in accounts payable - trade	10,220
Increase (decrease) in accrued expenses	42,389
Increase (decrease) in deferred revenue	69,646
Total adjustments	(46,692)
<b>Net Cash Provided (Used) By Operating Activities</b>	650,120
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of improvements and equipment	(71,005)
Purchase of investments	(1,318,000)
City Life, LLC - partnership	8,603
<b>Net Cash Provided (Used) By Investing Activities</b>	(1,380,402)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on long-term debt	(46,677)
<b>Net Cash Provided (Used) By Investing Activities</b>	(46,677)
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	(776,959)
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	
<b>BEGINNING OF YEAR</b>	1,446,299
<b>END OF YEAR</b>	\$ 669,340
Supplemental Disclosures	
Interest paid	\$ 15,382
Non-cash transactions (in-kind contributions)	\$ 19,871

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, 2023*

**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 31 beds available for use nightly. In addition, the Organization offers Host homes as an implementer of Safe Families for Children in Jackson, Josephine, Klamath, Douglas, and Lincoln Counties. They are also in a contract with the state to provide skills training for up to 62 foster care youth in Jackson and Josephine counties under the Child Welfare Independent Living Program. The Organization served 330 youth during the fiscal year ending June 30, 2023.

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 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 supports young adults ages 18-21 and 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 Hearts 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 Organization's management and Board of Directors.

**HEARTS WITH A MISSION**  
**Notes to Financial Statements (continued)**  
*For the Year Ended June 30, 2023*

**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 non-operating activities. Operating activities consist of those items attributable to the Organization's 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 non-recurring 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, 2023, totaled \$39,514.

**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, 2023.

**HEARTS WITH A MISSION**  
**Notes to Financial Statements (continued)**  
*For the Year Ended June 30, 2023*

**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.

Non-cash 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, 2023*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUNDRAISING EVENTS**

Fundraising events are conducted in which a portion of the gross proceeds paid by a 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 meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets. The performance obligation is delivery of the event. Special event fees collected by the Organization in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event.

**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	\$ 669,340
Receivables	311,886
Investments	1,318,000
Total financial assets available to meet expenditures within the next 12 months	<u>\$ 2,299,226</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.

**HEARTS WITH A MISSION**  
**Notes to Financial Statements (continued)**  
*For the Year Ended June 30, 2023*

**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.

	<b>2023</b>
Land	\$ 381,407
Buildings and improvements	1,715,879
Furnishings and equipment	208,029
Vehicles	128,794
Total land, buildings, and equipment	2,434,109
Less accumulated depreciation	(515,193)
Net land, buildings, and equipment	\$ 1,918,916

Depreciation expense for the year ended June 30, 2023, was \$88,578. In addition, the Organization recorded \$8,235 in amortization expense.

**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).

The Organization's level three assets are held in a shared investment with another nonprofit organization. Both organizations share ownership of the administrative building in which the conduct operations. Both organizations are able to save on operating costs based on this arrangement.

**HEARTS WITH A MISSION**  
**Notes to Financial Statements (continued)**  
*For the Year Ended June 30, 2023*

**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, 2023.

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

Description	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposits	\$ 1,318,000	\$ -	\$ -	\$ 1,318,000
City Life, LLC	-	-	358,744	358,744
Total investments	<u>\$ 1,318,000</u>	<u>\$ -</u>	<u>\$ 358,744</u>	<u>\$ 1,676,744</u>

The Organization's certificates of deposit have various maturity dates and rates of return. The certificates are held at D.A. Davidson with maturity dates range from September 2023, through June 2024, with varying rates of return ranging from 4.75% to 5.35%.

**5. LONG-TERM DEBT**

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

	<u>2023</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.	\$ 357,435
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>244,133</u>
Total	601,568
Less current portion	<u>(47,650)</u>
Total long-term debt	<u>\$ 553,918</u>

Maturities of long-term debt as of June 30, 2023, are as follows:

June 30, 2023	\$ 47,650
June 30, 2024	48,435
June 30, 2025	49,239
June 30, 2026	50,063
June 30, 2027	50,906
June 30, 2028 - 2030	<u>355,275</u>
Total	<u>\$ 601,568</u>

**HEARTS WITH A MISSION**  
**Notes to Financial Statements (continued)**  
*For the Year Ended June 30, 2023*

**6. CONCENTRATION OF RISK**

At times, the Organization's balances in cash accounts may be in excess of FDIC insurance limits. The Organization's total bank balance at June 30, 2023, did not exceed the FDIC insurance limit. However, the Organization's investments within a brokerage account did exceed the SIPC (Securities Investor Protection Corporation) insurance limit. The amount in excess of the SIPC limit was \$818,000.

**7. GRANTS**

The Organization received the following grants for operating expenses during the year ended June 30, 2023:

Carrico Family Foundation	\$ 50,000
Reed & Carolee Walker Fund	23,000
Joseph E. Watson Public Foundation	17,500
Four Way Foundation	7,500
Spirit Mountain Community Foundation	25,000
Ford Family Foundation	124,877
Cow Creek Band of Umpqua Indians	15,000
United Way	12,971
Miscellaneous grants	<u>39,919</u>
Total	<u><u>\$ 315,767</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, 2023.

**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 \$19,871 during the fiscal year ended June 30, 2023.

Rent	\$ 9,000
Furniture	1,590
Clothing	4,590
Professional services	1,500
Food	<u>3,191</u>
Total	<u><u>\$ 19,871</u></u>



**HEARTS WITH A MISSION**  
**Notes to Financial Statements (continued)**  
*For the Year Ended June 30, 2023*

**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 salaries and benefits, occupancy, outside services, advertising, and insurance. Joint cost allocations are based upon payroll time studies completed every three years.

**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 worked a minimum of 230 hours in the first 90 days or if this is not met, then the employee must complete one year of service with the Organization. For the participating employees, the Organization made matching contributions equal to 100% of what the employee contributed, up to 4% of the employee's gross wages. Matching contributions for the Organization for the fiscal year ending June 30, 2023, were \$31,744.

**12. COMMITMENTS**

The Organization is the State Coordinator/Advisor for the Safe Families Program. The Ford Family Foundation provided \$350,000 in November 2022, to the Organization as the trustee to disburse to the county programs as expenses or grants are approved. The funds are presented as a liability on the Statement of Net Assets. The amount not yet spent on reimbursements or approved funding as of June 30, 2023, was \$105,350.

In addition, the Organization has multiple smaller grants and donations that come with donor restrictions. The total amount of donor restricted funds treated as deferred revenue on June 30, 2023, is \$201,850. This amount is also shown as restricted cash on June 30, 2023.

**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 nonprofit 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 2023 totaled \$6,000. 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, 2023, was \$27,260.

**HEARTS WITH A MISSION**  
**Notes to Financial Statements (continued)**  
*For the Year Ended June 30, 2023*

**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, City of Medford, City of Grants Pass, Department of Education, and other agencies.

**15. SPECIAL EVENTS**

Gross receipts from special fundraising events recorded by the Organization consist of exchange transactions revenue and contribution revenue. The Organization is required to separately report components of this revenue to include the direct benefit received by the donors totaling \$11,352 based on the cost of meals and entertainment.

	<b>2023</b>
Special event revenue	\$ 314,421
Direct expense	(11,352)
Net special event income	\$ 303,069

**16. 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.

The Organization provides youth-related counseling services for Youth 71Five Ministries. Based on these services and a shared administrative building, the two organizations have split grant income and expense based on agreements and services provided by each organization.

A family member of the Executive Director works for the Organization. This individual received \$20,789 in compensation for the calendar year ending December 31, 2022.

A Board member's daughter worked as a video photographer during the year. The total compensation paid to this individual was \$14,530.

**17. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through September 18, 2023, which is the date of the Audit Report. The report was available to be issued on September 25, 2023.