

**HEARTS WITH A MISSION**

**AUDIT REPORT**

**For the Year Ended**

**June 30, 2022**

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

CERTIFIED PUBLIC ACCOUNTANT  
MEDFORD

**HEARTS WITH A MISSION**  
*For the Year Ended June 30, 2022*

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**INDEPENDENT AUDITOR'S REPORT**

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

CERTIFIED PUBLIC ACCOUNTANT

670 SUPERIOR COURT, # 106  
MEDFORD, OREGON 97504  
(541) 773-1885 • FAX (541) 770-1430  
www.rwbrewstercpa.com

## **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, 2022, 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, 2022, 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 13, 2022



**FINANCIAL STATEMENT**



**HEARTS WITH A MISSION**  
**Statement of Financial Position**  
*June 30, 2022*

	<b>2022</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,314,095
Cash and cash equivalents temporarily restricted	132,204
Prepaid expense	850
Governmental contracts receivable	73,118
Total current assets	1,520,267
Land, buildings, and equipment	2,363,104
Less accumulated depreciation	(427,228)
Net buildings and equipment	1,935,876
Other assets	
Software (net of accumulated amortization of \$8,235)	74,116
City Life, LLC - partnership	367,347
Total other assets	441,463
<b>TOTAL ASSETS</b>	<b>\$ 3,897,606</b>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities	
Accounts payable	\$ 21,703
Accrued payroll	76,643
Vacation payable	50,945
Deferred revenue	132,204
Current portion of long-term debt	46,889
Total current liabilities	328,384
Long-term debt	601,356
<b>TOTAL LIABILITIES</b>	<b>929,740</b>
<b>NET ASSETS</b>	
Without donor restrictions	2,967,866
With donor restrictions	-
<b>TOTAL NET ASSETS</b>	<b>2,967,866</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,897,606</b>

See notes to financial statements.



**HEARTS WITH A MISSION**  
**Statement of Activities**  
*For the Year Ended June 30, 2022*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>
<b>REVENUES AND SUPPORT</b>			
Direct public support			
Fundraising events	\$ 120,550	\$ -	\$ 120,550
Individual contributions	487,370		487,370
Business contributions	83,580		83,580
Grants		262,334	262,334
Government contracts	2,452,556		2,452,556
In-kind contributions	19,529		19,529
Interest income	920		920
Service revenue and reimbursements	19,686		19,686
Other support			
Net assets released from restrictions			
Satisfaction of program restrictions	262,334	(262,334)	-
Total direct public support	<u>3,446,525</u>	<u>-</u>	<u>3,446,525</u>
<b>Total revenue and support</b>	<u>3,446,525</u>	<u>-</u>	<u>3,446,525</u>
<b>EXPENSES</b>			
Program expense	2,388,862		2,388,862
Administrative expenses	323,146		323,146
Fundraising expenses	128,409		128,409
<b>TOTAL EXPENSES</b>	<u>2,840,417</u>	<u>-</u>	<u>2,840,417</u>
<b>CHANGE IN NET ASSETS</b>	606,108	-	606,108
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>2,361,758</u>	<u>-</u>	<u>2,361,758</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 2,967,866</u>	<u>\$ -</u>	<u>\$ 2,967,866</u>

See notes to the financial statements.

**HEARTS WITH A MISSION**  
**Statement of Functional Expenses**  
*For the Year Ended June 30, 2022*

	Jackson County <u>Youth Program</u>	Josephine County <u>Youth Program</u>	Lincoln County <u>Safe Families</u>	Klamath County <u>Safe Families</u>
Salaries	\$ 1,086,660	\$ 334,154	\$ 114,042	63,307
Payroll taxes	87,625	25,851	9,138	4,934
Employee benefits	76,608	23,928	12,965	3,272
Other payroll related expenses	41,129	12,871	4,464	3,149
Total payroll and payroll taxes	<u>1,292,022</u>	<u>396,804</u>	<u>140,609</u>	<u>74,662</u>
Professional fees				
Bank charges	5,084	2,968		
Outside services	54,003	3,897	319	282
Advertising	13,739	11,094	4,994	1,844
Office	3,783	2,102	3,022	1,982
Records management	8,531	3,871		
SFFC Background Checks	1,850	500	2,400	1,150
Occupancy	39,963	9,344	8,867	5,654
Utilities	12,639	8,744		11
Training, travel, meetings	19,035	4,387		1,521
Insurance	20,070	16,621	157	157
*Fundraising events	16,755	9,034		
Youth related expenses	28,017	7,504	851	80
Janitorial	8,565	15,154	96	187
Software service				
Miscellaneous				
Postage	214	452	158	20
Copier service fees	1,360	305		
License and fees	3,079	2,646	2,701	
Interest expense	13,228	3,134		
Depreciation & amortization	53,099	43,541		
Total functional expenses	<u>\$ 1,595,036</u>	<u>\$ 542,102</u>	<u>\$ 164,174</u>	<u>\$ 87,550</u>
Percentage of total	<u>56.2%</u>	<u>19.1%</u>	<u>5.8%</u>	<u>3.1%</u>

See notes to the financial statements.

<b>Total Program Expenses</b>	<b>Administrative Expenses</b>	<b>Fundraising Expenses</b>	<b>2022 Total</b>	<b>(Memorandum Only) 2021 Total</b>
\$ 1,598,163	\$ 206,428	\$ 87,246	\$ 1,891,837	\$ 1,646,264
127,548	12,751	5,422	145,721	131,039
116,773	10,036	4,301	131,110	155,681
61,613	10,212	4,377	76,202	78,425
<u>1,904,097</u>	<u>239,427</u>	<u>101,346</u>	<u>2,244,870</u>	<u>2,011,409</u>
-	11,620		11,620	12,220
8,052	3,315		11,367	4,623
58,501	2,223	2,224	62,948	113,368
31,671		9,845	41,516	21,232
10,889	4,080	7,578	22,547	7,961
12,402			12,402	18,373
5,900			5,900	7,500
63,828	11,602	2,914	78,344	55,391
21,394	1,645	1,097	24,136	26,211
24,943	7,882		32,825	1,889
37,005	1,830	985	39,820	28,021
25,789	79		25,868	13,545
36,452			36,452	41,861
24,002	623	624	25,249	15,293
	36,159		36,159	
-		1,036	1,036	688
844	601		1,445	745
1,665	1,139	760	3,564	3,475
8,426	921		9,347	6,749
16,362			16,362	17,681
96,640			96,640	74,765
<u>\$ 2,388,862</u>	<u>\$ 323,146</u>	<u>\$ 128,409</u>	<u>\$ 2,840,417</u>	<u>\$ 2,483,000</u>
<u>84.1%</u>	<u>11.4%</u>	<u>4.5%</u>	<u>100.0%</u>	<u>100.0%</u>

**HEARTS WITH A MISSION**  
**Statement of Cash Flows**  
*For the Year Ended June 30, 2022*

	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 606,108
Adjustments to reconcile change in net assets to net cash from operating activities	
Noncash donated meals and services	19,529
Noncash operating expense	(19,529)
Depreciation	96,640
(Increase) decrease in receivables	79,443
(Increase) decrease in prepaid expense	469
Increase (decrease) in accounts payable - trade	1,410
Increase (decrease) in accrued expenses	19,635
Increase (decrease) in deferred revenue	<u>(338,837)</u>
 Total adjustments	 <u>(141,240)</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	 <u>464,868</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of improvements and equipment	(353,562)
City Life, LLC - partnership	<u>10,070</u>
<b>Net Cash Provided (Used) By Investing Activities</b>	 <u>(343,492)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on long-term debt	<u>(47,702)</u>
<b>Net Cash Provided (Used) By Investing Activities</b>	 <u>(47,702)</u>
 <b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	 73,674
 <b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	
<b>BEGINNING OF YEAR</b>	 <u>1,372,625</u>
<b>END OF YEAR</b>	 <u><u>\$ 1,446,299</u></u>
 Supplemental Disclosures	
Interest paid	 <u>\$ 16,362</u>
Non-cash transactions (in-kind contributions)	 <u>\$ 19,529</u>

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, 2022*

**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, 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, 2022.

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 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 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, 2022*

**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 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 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, 2022, totaled \$41,516.

**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, 2022.



**HEARTS WITH A MISSION**  
**Notes to Financial Statements (continued)**  
*For the Year Ended June 30, 2022*

**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, 2022*

**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	\$ 1,446,299
Receivables	73,118
Total financial assets available to meet expenditures within the next 12 months	<u>\$ 1,519,417</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, 2022*

**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>2022</b>
Land	\$ 381,407
Buildings and improvements	1,699,968
Furnishings and equipment	174,524
Vehicles	107,205
Total land, buildings, and equipment	2,363,104
Less accumulated depreciation	(427,228)
Net land, buildings, and equipment	\$ 1,935,876

Depreciation expense for the year ended June 30, 2022, was \$88,288. In addition, the Organization recorded \$8,352 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, 2022*

**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, 2022.

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	\$ -	\$ -	\$ 367,347	\$ 367,347
Total investments at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,347</u>	<u>\$ 367,347</u>

**5. LONG-TERM DEBT**

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

	<u>2022</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.	\$ 368,898
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>279,347</u>
Total	648,245
Less current portion	<u>(46,889)</u>
Total long-term debt	<u>\$ 601,356</u>

Maturities of long-term debt as of June 30, 2022, are as follows:

June 30, 2023	\$ 46,889
June 30, 2024	47,655
June 30, 2025	48,440
June 30, 2026	49,425
June 30, 2027	50,068
June 30, 2028 - 2030	<u>405,948</u>
Total	<u>\$ 648,425</u>

**HEARTS WITH A MISSION**  
**Notes to Financial Statements (continued)**  
*For the Year Ended June 30, 2022*

**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, 2022 in excess of the FDIC insurance limit was \$1,131. 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, 2022:

Allcare Health	\$ 25,000
Carrico Family Foundation	40,000
Reed & Carolee Walker Fund	20,000
Arthur Dubs Foundation	17,500
William & Florence Schneider Fund	20,000
Spirit Mountain Community Foundation	25,000
Ford Family Foundation	45,500
Cow Creek Band of Umpqua Indians	12,000
Miscellaneous grants	<u>57,334</u>
Total	<u>\$ 262,334</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 \$19,529 during the fiscal year ended June 30, 2022.

**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.

**HEARTS WITH A MISSION**  
**Notes to Financial Statements (continued)**  
*For the Year Ended June 30, 2022*

**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, 2022, were \$34,720.

**12. COMMITMENTS**

The Organization is the State Coordinator/Advisor for the Safe Families Program. The Ford Family Foundation provided \$155,000 in December 2021 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, 2022, was \$58,220.

**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 2022 totaled \$31,629. 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, 2022, was \$29,422.

**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.

**HEARTS WITH A MISSION**  
**Notes to Financial Statements (continued)**  
*For the Year Ended June 30, 2022*

**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.

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

The Organization contracted with a landscaping business owned by one of its Board members. The total amount of the contracted services provided during the fiscal year was \$8,250. This amount was under the \$10,000 threshold required by the Organization to seek competitive bids.

**15. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through September 13, 2022, which is the date of the Audit Report. The report was available to be issued on September 26, 2022.