



**PHOENIX FAMILY**

**FINANCIAL STATEMENTS**

Years Ended June 30, 2023 and 2022





## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

### PHOENIX FAMILY

#### *Opinion*

We have audited the financial statements of Phoenix Family (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Phoenix Family as of June 30, 2023 and 2022, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Phoenix Family and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, Phoenix Family changed its method of accounting for leases, as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective July 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

#### *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 Phoenix Family's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our 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 auditors' report that includes our 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 GAAS 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 are considered material if, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

We are 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.

*Mayer Hoffman McCann P.C.*

Kansas City, Missouri  
October 26, 2023

**PHOENIX FAMILY**

**STATEMENTS OF FINANCIAL POSITION (Page 1 of 2)**

June 30, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b><u>ASSETS</u></b>		
CURRENT ASSETS		
Cash and cash equivalents		
Operating cash	\$ 12,152	\$ 264,155
Restricted cash and cash equivalents:		
Cash reserve	435,395	434,781
Restricted cash	161,121	89,178
Designated cash	481,389	958,202
Total cash and cash equivalents	1,090,057	1,746,316
Accounts receivables, net	676,733	602,884
Unconditional promises to give, net - current portion	45,015	20,130
Investments	301,000	63,000
Prepaid expenses	-	5,000
Right of use asset - operating lease	2,087	-
Right of use asset - finance lease	3,489	-
TOTAL CURRENT ASSETS	2,118,381	2,437,330
DEVELOPER FEE RECEIVABLE, less current portion	15,685	15,685
UNCONDITIONAL PROMISES TO GIVE, less current portion	-	10,000
INVESTMENTS, less current portion	67,000	62,000
FIXED ASSETS, at cost, less accumulated depreciation	-	8,520
RIGHT OF USE ASSET - OPERATING LEASE	20,365	-
RIGHT OF USE ASSET - FINANCE LEASE	7,561	-
TOTAL ASSETS	\$ 2,228,992	\$ 2,533,535

See Notes to the Financial Statements

**PHOENIX FAMILY**

**STATEMENTS OF FINANCIAL POSITION (Page 2 of 2)**

June 30, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b><u>LIABILITIES</u></b>		
CURRENT LIABILITIES		
Accounts payable	\$ 83,799	\$ 23,590
Accrued expenses	196,869	238,238
Deferred revenue	220,000	209,000
Due to related party	414,032	379,335
Operating lease obligation	2,087	-
Finance lease obligation	3,422	-
TOTAL CURRENT LIABILITIES	920,209	850,163
NONCURRENT LIABILITIES		
Operating lease obligation	20,365	-
Finance lease obligation	7,757	-
TOTAL NONCURRENT LIABILITIES	28,122	-
TOTAL LIABILITIES	948,331	850,163
<b><u>NET ASSETS</u></b>		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Undesignated net assets	649,216	1,141,499
Board designated net assets	425,308	424,695
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,074,524	1,566,194
NET ASSETS WITH DONOR RESTRICTIONS	206,137	117,178
TOTAL NET ASSETS	1,280,661	1,683,372
TOTAL LIABILITIES AND NET ASSETS	\$ 2,228,992	\$ 2,533,535

See Notes to the Financial Statements

**PHOENIX FAMILY**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

Years Ended June 30, 2023 and 2022

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
SERVICE REVENUE	\$ 2,024,730	\$ -	\$ 2,024,730	\$ 2,126,491
GRANTS AND CONTRIBUTIONS	448,456	307,552	756,008	743,792
PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS	-	-	-	110,413
OTHER SUPPORT AND REVENUE				
Revenue from special events				
Contributions of cash and other financial assets	384,960	-	384,960	365,655
Special event revenue	60,195	-	60,195	46,180
Less: special event expenditures	(197,179)	-	(197,179)	(142,283)
Net revenues from special events	247,976	-	247,976	269,552
Contributions of nonfinancial assets	299,249	-	299,249	161,455
Partnership management fees	7,500	-	7,500	9,400
Interest income	614	-	614	616
Other income	475	-	475	-
Release of restrictions	218,593	(218,593)	-	-
TOTAL OTHER SUPPORT AND REVENUE	774,407	(218,593)	555,814	441,023
TOTAL REVENUE	3,247,593	88,959	3,336,552	3,421,719
EXPENSES				
Program services	2,992,028	-	2,992,028	2,623,462
Supporting services				
Management and general	507,891	-	507,891	419,415
Fundraising	239,344	-	239,344	165,662
Total supporting services	747,235	-	747,235	585,077
TOTAL EXPENSES	3,739,263	-	3,739,263	3,208,539
TOTAL CHANGES IN NET ASSETS	(491,670)	88,959	(402,711)	213,180
NET ASSETS, BEGINNING OF YEAR	1,566,194	117,178	1,683,372	1,470,192
NET ASSETS, END OF YEAR	\$ 1,074,524	\$ 206,137	\$ 1,280,661	\$ 1,683,372

See Notes to the Financial Statements

**PHOENIX FAMILY**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended June 30, 2023 and 2022

	2023				2022			
	Program Services	Fundraising Services	Management and General	Total All Funds	Program Services	Fundraising Services	Management and General	Total All Funds
Payroll and related expenses	\$ 2,216,848	\$ 197,239	\$ 415,190	\$ 2,829,277	\$ 2,077,641	\$ 119,023	\$ 343,655	\$ 2,540,319
Supplies and office	237,623	17,582	32,341	287,546	170,216	1,550	28,910	200,676
Tenant and family services	350,172	-	-	350,172	300,485	225	225	300,935
Meetings and training	71,420	2,876	4,504	78,800	26,859	562	8,239	35,660
Bad debt	-	-	4,663	4,663	-	-	-	-
Accounting and professional fees	68,220	7,027	46,902	122,149	16,457	504	27,211	44,172
Special event expenses	-	12,618	-	12,618	-	43,448	-	43,448
Depreciation	8,520	-	-	8,520	9,800	-	-	9,800
Amortization expense	5,578	-	-	5,578	-	-	-	-
Insurance	33,647	2,002	4,291	39,940	22,004	350	11,175	33,529
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,992,028</b>	<b>\$ 239,344</b>	<b>\$ 507,891</b>	<b>\$ 3,739,263</b>	<b>\$ 2,623,462</b>	<b>\$ 165,662</b>	<b>\$ 419,415</b>	<b>\$ 3,208,539</b>
	<u>80.02%</u>	<u>6.40%</u>	<u>13.58%</u>	<u>100.00%</u>	<u>81.77%</u>	<u>5.16%</u>	<u>13.07%</u>	<u>100.00%</u>

See Notes to the Financial Statements

**PHOENIX FAMILY**

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (402,711)	\$ 213,180
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	8,520	9,800
Amortization of right to use asset - operating lease	3,490	-
Amortization of right to use asset - financing lease	2,088	-
Paycheck Protection Program loan forgiveness	-	(110,413)
Change in operating assets and liabilities:		
Receivables	(73,849)	(225,950)
Prepaid expenses	5,000	(4,995)
Developer fee receivable	-	51,970
Unconditional promises to give	(14,885)	(1,940)
Accounts payable	60,209	(26,972)
Accrued expenses	(41,369)	69,460
Deferred revenue	11,000	177,750
Operating lease obligation	(2,088)	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(444,595)</b>	<b>151,890</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(243,000)	(125,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advance from related party	34,697	379,335
Finance lease payments	(3,361)	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>31,336</b>	<b>379,335</b>
<b>NET CHANGE IN CASH, RESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>(656,259)</b>	<b>406,225</b>
<b>CASH, RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,746,316</b>	<b>1,340,091</b>
<b>CASH, RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,090,057</b>	<b>\$ 1,746,316</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Operating cash	\$ 12,152	\$ 264,155
Restricted cash and cash equivalents:		
Cash reserve	435,395	434,781
Restricted cash	161,121	89,178
Designated cash	481,389	958,202
<b>CASH, RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,090,057</b>	<b>\$ 1,746,316</b>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Paycheck Protection Program loan forgiveness	\$ -	\$ 110,413

See Notes to the Financial Statements

## PHOENIX FAMILY

### NOTES TO FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies

**Nature of operations** - Phoenix Family Housing Corporation d/b/a Phoenix Family (the "Organization") empowers people living in low-income housing communities with the on-site support they need to gain stability and achieve self-sufficiency. The services help residents to build personal and financial assets, to overcome barriers to success, and to develop the skills needed to create a stable home. The Organization connects residents to critical resources and services, provides direct support, and supports residents as they become self-sufficient. Skilled and knowledgeable on-site staff members carry out the Organization's mission by providing support, advocacy, referrals, and program management to 4,592 people living in 3,162 units at 21 senior residential communities and 12 multi-family communities in Missouri, Kansas, and Iowa. In addition, the Organization has partnerships with 6 other affordable housing communities, serving 514 units in 9 states nationwide. Phoenix Family Ventures, Inc. ("Ventures") a not-for-profit with a similar mission, has control over the appointment of the Board of Directors of the Organization. Ventures allows the two Organizations to segregate the social services and future affordable housing services components of each Organization's operations on a going forward basis.

**Depreciation** - Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Furniture, fixtures and equipment	5 years
Computer equipment	3 - 5 years
Vehicles	5 years

**Capitalization policy** - The Organization capitalizes fixed asset additions over \$1,500. Assets purchased are capitalized based on the cost of the asset. Assets donated are capitalized based on the fair value of the asset at the time of donation.

**Cash, restricted cash, and cash equivalents** - For purposes of the statements of cash flows, cash is considered to be bank checking accounts and cash on hand. Amounts included in restricted cash and cash equivalents represent those funds required to be set aside by donor restriction and board designated cash reserves. These restricted cash and cash equivalent amounts are reflected as assets on the statements of financial position. The restriction will lapse when the Organization's donor restrictions are satisfied, by board designation and upon the recognition of service revenue in accordance with Topic 606, *Revenue from Contracts with Customers*.

**Real estate investments** - The Organization has small fractional interests in several low-income housing partnerships. Management estimates that the value of their interests are negligible to the financial statements as a whole and has not reflected any value in these financial statements.

**Investments** - Investments consist of brokered certificates of deposit. Investments are reflected at fair value. During the years then ended June 30, 2023 and 2022, the investments earned yearly interest at rates between .25% and 5.35%, with maturity dates from July 2023 through September 2024. Subsequent to June 30, 2023, \$171,000 of the certificates of deposit matured and were not reinvested.

**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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## PHOENIX FAMILY

### NOTES TO FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies (continued)

**Functional expenses** - The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Expenses that are common to several functions are allocated by management's estimate of resources devoted to the program or support service. Payroll and related expenses are allocated based upon where a staff person spends their time. The Organization separates its accounts into various department categories according to their natural classification to aid in tracking expenses. The amount of supplies and office and meetings and training expenses are recorded to program, management and general and fundraising based upon these department codes.

**Net assets with donor restrictions** - Net assets with donor restrictions consist of purpose and time restrictions on unconditional promises to give and other contributions.

**Net assets without donor restriction** - Net assets without donor restriction consist of amounts that are available for use in carrying out the operations of the Organization. These include those expendable resources which have been designated by the Board of Directors.

**Board designated net assets** - Board designated net assets represent funds without donor restriction designated by the board of directors for specific projects and/or cash shortfalls and are included within restricted cash and cash equivalents on the statements of financial position.

**Revenue recognition** - Grants and contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with restrictions and reclassified to net assets without donor restrictions when such time or purpose restriction has been satisfied. Gifts of property, plant and equipment are recorded as without donor restrictions unless the donor explicitly states how such assets should be used. Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement and overcoming the right of release or return.

The Organization recognizes service, partnership management fee, and developer fee revenues in accordance with Topic 606, *Revenue from Contracts with Customers*. Revenue recognition is based on the five-step model: (i) identify the contract with the customer; (ii) identify the performance obligation in the contract; (iii) determine the contract price; (iv) allocate the transaction price; and (v) recognize revenue (or as) each performance obligation is satisfied. Revenues are recognized when the performance obligations of providing the services are met.

Service fees are recognized ratably over the contract service period as benefits are provided consistently through the service period. Service fees are payable in equal monthly installments over the terms of the related contracts. If it is determined that a contract with enforceable right and obligation does not exist, revenues are deferred until all criteria for an enforceable contract are met. Certain management fees are recognized ratably over the service period as benefits are provided consistently through the service period. These fees are payable in equal monthly installments over the terms of the related service period. Other management fees are only recognized when collection of the fees has occurred. Payment of those management fees occur when sufficient surplus cash exists at the partnership level, in accordance with the terms of the partnership agreement and regulatory agreements. Developer fees are recognized ratably over the development period of the projects. Payment of developer fees are collected when sufficient surplus cash exists at the partnership level in accordance with the terms of the partnership agreement and developer fee agreements.

## PHOENIX FAMILY

### NOTES TO FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies (continued)

Accounts Receivables, net on the statements of financial position are stated at the amount of consideration from the customer, of which the Organization has an unconditional right to receive as performance obligations have been met. As of June 30, 2023, 2022, and 2021, accounts receivable, net included on the statements financial position were \$676,733 \$602,884 and \$376,934 respectively.

Donated assets are reflected as contributions at their estimated fair value at the date of receipt. A substantial number of volunteers have donated hundreds of hours during the years ended June 30, 2023 and 2022, which do not meet the requirements of the Not-For-Profit Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification related to revenue recognition of contributions received and, accordingly, are not recorded in these financial statements. Donated services and goods during the year ended June 30, 2023 and 2022 have been included as contributions of nonfinancial assets in the statement of activities and changes in net assets. Of these amounts, the Organization recognized \$23,640 and \$0, respectively, of donated legal services, which represents management's estimate of the value of pro-bono legal services received during the years ending June 30, 2023 and 2022. Additionally, of these amounts, the Organization recognized \$88,620 and \$10,500 respectively, of donated office space, which reflects management's estimate of the value of the space for the years ended June 30, 2023 and 2022. Of these amounts, the Organization recognized \$2,708 and \$0 respectively, of donated equipment rental, which reflects management's estimate of the value of the space for the years ended June 30, 2023 and 2022. Lastly, of these amounts, the Organization recognized \$10,315 and \$0, respectively, of donated video services received during the years ending June 30, 2023 and 2022.

**Taxes** - The Organization has been granted exemption from income taxes by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and is considered a public charity.

The Organization assesses uncertain tax positions on an annual basis. This assessment includes the assessment of private benefits to related parties and disqualified persons. Management believes that no excess private benefit has been conveyed through June 30, 2023 and 2022. This determination has been made through an assessment of estimated revenue streams in relation to below market loans, including developer fees, support service fees, and initially projected principal and interest payment streams. There has not been any interest or penalties recognized in the statement of activities or statement of financial position related to uncertain tax positions. The Organization is no longer subject to income tax examination by taxing authorities for years before 2020.

**Deferred revenue** - Deferred revenue primarily represents funding that has been received from individual apartment complexes under contractual obligations to provide services to tenants at future points in time that were funded through agreements between the various apartment complexes and the State of Missouri ("Note Sale Agreements"). Under the terms of the agreements, upon receipt of the funding, which is received prior to the service being performed, there are stipulations that necessitate the dollars be used at specific properties, as directed by the State, and which further require the properties be maintained as affordable, both of which meet the definitions of conditions. Further, the contracts carry explicit provisions that call for a right of return if the conditions are not met. As of June 30, 2023 and 2022, receipt of income for future period services included in deferred revenue on the statements of financial position were \$220,000 and \$209,000, respectively.

## PHOENIX FAMILY

### NOTES TO FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies (continued)

**Consolidation** - In connection with the Organization's investments in certain real estate partnerships, as required by accounting principles generally accepted in the United States of America, management annually assesses whether consolidation is required in the financial statements of these interests, either directly at the Organization level or indirectly through the Organization's ownership in various limited partner, general partner, and member positions in various affordable housing projects. Factors that are considered include assessment of the power to control the entities in question and the economic obligations of the projects.

As of June 30, 2023 and 2022, management has assessed each of these projects and determined that consolidation of project level activity is either not required or the activities were negligible. However, should economic factors or other factors change in the future, consolidation may be required.

**Contributions of non-financial assets** - In September 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("Topic 958"), which was adopted on July 1, 2021, which increases the transparency regarding contributed nonfinancial assets through presentation and disclosure, both quantitative and qualitative. The standard requires the Organization to present additional information regarding contributed nonfinancial assets. Donated assets are reflected as in-kind contributions at their estimated fair value when received. There were no gifts in-kind subject to donor-imposed restrictions. The following were received during the years ended June 30, 2023 and 2022:

- The Organization received \$159,150 and \$145,195, respectively, in contributed holiday gifts for its Adopt-A-Family and Adopt-A-Senior holiday initiatives. In order to determine the estimated value of donated gifts, the Organization selects a sample of gifts and searches for the price of item from a reputable retailer. The Organization averages the totals of gifts sample to determine an average price on total gifts allocated to a child, senior and household. The average is then applied to the entire population of children, seniors and households included in the initiative.
- The Organization received \$0 and \$5,760, respectively, in donated masks. The donated masks were valued based upon estimated prices of identical or similar products.
- The Organization received \$2,666 and \$0, respectively, for supplies and backpacks for Operation Backpack. In order to determine the estimated value of donated school supplies, the Organization selects a sample of supplies and searches for the price of item from a reputable retailer. The Organization averages the totals of the sample to determine an average price on total supplies allocated to a child. The average is then applied to the entire population of children.
- The Organization received \$12,150 and \$0, respectively, for the kids for peace initiative. Donations included books, blankets, pillows, games, and toys. In order to determine the estimated value of donated items, the Organization selects a sample of items and searches for the price of item from a reputable retailer. The Organization averages the totals of the sample to determine an average price on total items allocated to a child. The average is then applied to the entire population of children.

**Adoption of new lease standard** - The Organization implemented ASU 2016-02, *Leases* ("Topic 842") effective July 1, 2022. The Organization elected the short-term lease exception provided for in Topic 842; therefore, the Organization only recognized right-of-use assets and lease liabilities for leases with a term greater than one year. The Organization elected the option to apply the transition provisions at the adoption date. The Organization elected the package of practical expedients to not reevaluate existing contracts as containing a lease or the lease classification. In addition, the Organization did not reassess initial direct costs for any existing leases.

**PHOENIX FAMILY**

**NOTES TO FINANCIAL STATEMENTS**

**(1) Summary of significant accounting policies (continued)**

The Organization has elected the practical expedient to not separate non-lease components from lease components. The practical expedient was elected to utilize the risk-free rate for the remaining term of the lease as of the date of adoption. The Organization determines whether an arrangement is a lease at the lease inception.

**Reclassifications** - Certain items in the 2022 financial statements have been reclassified to conform to the 2023 financial statement presentation. There was no impact on the change in net assets.

**(2) Receivables**

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Receivable - Department of Housing and Urban Development ("HUD")	\$ 610,013	\$ 469,641
Trade receivables	54,735	130,110
Partnership management fees receivable	-	4,633
Sponsorship receivable	13,485	-
Less: allowance for doubtful accounts	(1,500)	(1,500)
Net other receivables	\$ 676,733	\$ 602,884

The Organization allows for aged trade and partnership fee receivables where no payments have been made in the current year and which has an outstanding balance of greater than one year.

**(3) Developer fee receivable**

In connection with the Organization's participation in the development of an apartment complex located in Burlington, Iowa ("Stone Gardens"), the Organization earned, along with the co-developer, a development fee totaling \$1,650,000, of which the Organization's portion of the fee amounted to \$825,000. The Organization is the sole member in the general partner for the partnership that owns this apartment complex. Any unpaid development fee will be non-interest bearing.

The anticipated payout for the remaining fee is expected to be as follows:

<b><u>Years ending June 30,</u></b>	
2024	\$ 15,685

**(4) Note receivable**

The Organization owns a 100% interest in Greenway GP, LLC. Greenway GP, LLC is the general partner in Greenway of Burlington Associates, LP, which owns the apartment complex discussed in Note 3. HUD assigned its interest in the previous owner's mark-to-market mortgage note, which amounted to approximately \$1,420,280, to Greenway GP, LLC. Due to the low priority of this obligation in relation to the other obligations of the partnership and management's assessment of the low likelihood that the complex will generate sufficient cash flow to provide for repayment of this obligation prior to its maturity on December 31, 2041, management has assessed the probability of the note generating positive cash flow to be remote. In the event that the project does generate sufficient cash flow to make payments on this obligation, the Organization, in negotiations with the special limited partner, has agreed to use a substantial portion of such funds received to provide on-site social services at the complex.

**PHOENIX FAMILY**

**NOTES TO FINANCIAL STATEMENTS**

**(4) Note receivable (continued)**

With consideration of the aforementioned factors, the Organization has fully reserved the note as of June 30, 2023 and 2022. All other activities of Greenway GP, LLC, as a subsidiary of the Organization, are considered negligible to the financial statements of the Organization taken as a whole.

Management will reassess the value of this obligation on an annual basis and, if economic factors and cash flows change, the Organization will reflect the changes as current period income or expense. During the years ended June 30, 2023 and 2022, there was no activity included in the financial statements for this note receivable.

**(5) Unconditional promises to give**

Promises to give are carried at promised amounts, less a discount for promised gifts to be received more than one year from the statement of financial position date. The discounts on these amounts are computed using interest rates applicable to the years in which the promises are received. As of June 30, 2023, there were no long term pledges and therefore no applicable discount rate. As of June 30, 2022, the discount rate used in valuing unconditional promises to give was 1.87%. Amortization of any discount is included in contribution revenue. Management has evaluated the discount as of June 30, 2022 and has determined it is immaterial to the financial statements taken as a whole.

On a periodic basis, the Organization evaluates promises to give and establishes an allowance for doubtful collections, based on history, past write-offs, collections, and current conditions. A promise is written off when it is determined that all collection efforts have been exhausted. Management has estimated no allowance was necessary for uncollectible accounts as of June 30, 2023 and 2022.

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Unconditional promises to give	\$ 45,015	\$ 30,130
Less: current portion	(45,015)	(20,130)
Long-term unconditional promises to give	\$ -	\$ 10,000

**(6) Investments and fair value**

Investments are recorded at fair value and comprised of the following:

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Certificates of deposit	\$ 368,000	\$ 125,000

Investment income is reported on the statements of activities and changes in net assets - for the years ended June 30, 2023 and 2022 and is not considered material to the statements as a whole.

**PHOENIX FAMILY**

**NOTES TO FINANCIAL STATEMENTS**

**(6) Investments and fair value (continued)**

The Organization measures certificates of deposits at fair value in accordance with Accounting Standards Codification (ASC) 820-10. Fair value measurements involve various valuation techniques and assume that the transactions would occur between market participants in the most advantageous market for the Organization. ASC 820-10 establishes a fair value hierarchy and prioritizes the inputs to valuation techniques used to measure fair value into three broad levels and gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The maximization of observable inputs and the minimization of the use of unobservable inputs are required. Classification within the fair value hierarchy is based upon the objectivity of the inputs that are significant to the valuation of an asset or liability as of the measurement date. The three levels within the fair value hierarchy are characterized as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Unobservable inputs for the asset or liability for which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the Organization's own assumptions about what market participants would use to price the asset or liability. These inputs may include internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

The management of the Organization endeavors to utilize the best available information in measuring fair value. The following table summarizes the valuation of financial instruments by the above pricing levels as of June 30, 2023.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Certificates of deposit	\$ -	\$ 368,000	\$ -	\$ 368,000

The following table summarizes the valuation of financial instruments by the above pricing levels as of June 30, 2022.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Certificates of deposit	\$ -	\$ 125,000	\$ -	\$ 125,000

**PHOENIX FAMILY**

**NOTES TO FINANCIAL STATEMENTS**

**(7) Fixed assets**

	June 30,	
	2023	2022
Cost		
Furniture, fixtures and equipment	\$ 7,718	\$ 7,718
Computer equipment	104,935	104,935
Vehicles	48,999	48,999
Total cost	161,652	161,652
Less: accumulated depreciation	(161,652)	(153,132)
Net fixed assets	\$ -	\$ 8,520

Depreciation expense charged to operations was \$8,520 and \$9,800 for the years ended June 30, 2023 and 2022, respectively.

**(8) Paycheck Protection Program loan payable**

During the year ended June 30, 2021, the Organization applied for and received a second Paycheck Protection Program (“PPP2”) loan of approximately \$313,812, as provided under the Federal Coronavirus Aid, Relief and Economic Security Act. The loan was funded on April 2, 2021. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs and that certain employment levels are maintained. If the funds are used for other items not specified within the agreement, the loan accrues interest at 1% with monthly payments of \$7,038 beginning on July 2, 2022 and will mature April 2, 2026. Through June 30, 2022, the Organization had used \$313,812 of the proceeds on qualified costs, as such, this amount has been reported as contribution revenue of \$203,399 and \$110,413 during the years ended June 30, 2021 and 2022, respectively.

The Organization received forgiveness of the principal and interest accrued on this loan on July 13, 2022.

**(9) Net assets with donor restrictions**

Net assets with donor restrictions are comprised of the following:

	June 30,	
	2023	2022
HIKE Reading Achievement Program	\$ 117,318	\$ 55,802
Emergency Assistance	25,503	19,035
Senior Empowerment Program	5,452	9,496
Other purposes	17,849	4,845
Time restricted, net	40,015	28,000
Total	\$ 206,137	\$ 117,178

**PHOENIX FAMILY**

**NOTES TO FINANCIAL STATEMENTS**

**(9) Net assets with donor restrictions (continued)**

Net assets with donor restrictions were released from restriction for the following purposes:

	<b>Years Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
HIKE Reading Achievement Program	\$ 90,856	\$ 77,990
Emergency Assistance	58,545	55,470
Senior Empowerment Program	26,469	16,149
Time restricted	18,500	3,870
Other purposes	24,223	124,994
Total	\$ 218,593	\$ 278,473

**(10) Lease commitments**

The Organization entered into an operating lease for solar panels, beginning on December 12, 2012 with rent payments being \$225 per month through December 2032.

The Organization also entered into a copier lease, beginning on September 7, 2021, with monthly payments of \$308 per month through August 2026. The lease provides the option to renew for 12 monthly terms. The likelihood of exercising the renewals is considered remote.

In addition, the adoption of the leasing standard ASC 842 requires the disclosure of the other information pertaining to the operating cash flows from the leases, the weighted-average remaining lease term for the leases, and the weighted-average discount rate for the leases. These items are disclosed below for the year ended June 30, 2023. The Organization had non-cash investing and financing activity in the amount of \$24,540 and \$14,540 related to right-of-use assets resulting from the operating lease liability recorded in connection with the implementation of Topic 842. The Organization had non-cash investing financing activity in the amount of \$0 related to right-of-use assets financed with operating and financing lease liabilities, respectively, recorded in connection with the implementation of Topic 842.

The components of these lease cost are as follows:

Supplemental cash flow information:	
Operating cash flows from operating leases	\$ 2,700
Operating cash flows from finance leases	\$ 335
Financing cash flows from finance leases	\$ 3,361
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 14,540
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 24,540
Weighted-average remaining lease term	
Operating leases (years)	3.09
Financing leases (years)	9.45
Weighted-average discount rate	
Operating leases (percentage)	2.88%
Financing leases (percentage)	2.88%

**PHOENIX FAMILY**

**NOTES TO FINANCIAL STATEMENTS**

**(10) Lease commitments (continued)**

Minimum future rental payments under these non-cancelable leases with an original term in excess of one year are as follows:

<u>Years ending June 30,</u>	<u>Operating</u>	<u>Finance</u>
2024	\$ 2,700	\$ 3,696
2025	2,700	3,696
2026	2,700	3,696
2027	2,700	616
2028	2,700	-
Thereafter	12,150	-
Total	<u>\$ 25,650</u>	<u>\$ 11,704</u>

Total rent and occupancy expense was \$102,932 and \$25,022 for the years ended June 30, 2023 and 2022, respectively. This expense includes the amount of donated office space described in Note 1.

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to control and direct the use of the identified asset. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as maintenance costs, in calculating the right-of-use ("ROU") assets and lease liabilities for its office equipment and office space. The Organization has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The right of use asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

**(11) Related party transactions**

During the years ended June 30, 2023 and 2022, \$300,000 and \$270,000 was contributed to the Organization from Ventures, respectively. As of June 30, 2023 and 2022, \$414,032 and \$379,335, respectively, was owed to Ventures for advances to fund operations resulting from delays in HUD funding.

In addition to the developer fee discussed in Note 3, the Organization also earned partnership management fees and distributions of \$7,500 and \$9,400, respectively, from Partnerships in which the Organization holds an ownership interest, which have been reflected on the statement of activities and changes in net assets for the year ended June 30, 2023 and 2022.

**PHOENIX FAMILY**

**NOTES TO FINANCIAL STATEMENTS**

**(12) Concentrations**

The Organization maintains cash balances in financial institutions in excess of FDIC insurance limits. Management monitors the soundness of the institutions involved and feels that the Organization's risk is negligible. The Organization has not experienced any losses in such accounts.

The Organization offers services to multiple properties, of which approximately 24% of these properties are owned by one entity as of June 30, 2023 and 2022. The remaining properties are owned by various other owners.

Several parties who owe the Organization receivables depend on service coordinator grant proceeds from HUD to fund a substantial portion of its programs. Approximately 8% and 22%, respectively, of the accounts receivables, net balance was due from these parties as of June 30, 2023 and 2022. Approximately 90% and 78%, respectively, of the receivables balance was due from HUD.

**(13) Liquidity**

The following reflects the Organization's financial assets as of June 30, 2023 and 2022, available for general expenditures within one year of the statements of financial position.

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Financial assets, end of year		
Cash and cash equivalents	\$ 1,090,057	\$ 1,746,316
Receivables, net	676,733	602,884
Unconditional promises to give, net - current portion	45,015	20,130
Subtotal	1,811,805	2,369,330
Less those unavailable for general expenditures within one year due to:		
Restricted cash	(161,121)	(89,178)
Designated cash	(481,389)	(1,042,149)
Cash reserve	(435,395)	(424,695)
Financial assets available to meet cash needs for general expenditures within one year	\$ 733,900	\$ 813,308

Phoenix Family has a goal to maintain financial assets consisting of cash and cash equivalents and receivables and promises to give expected to be converted quickly to cash on hand to meet 90 days of normal operating expenses. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing business activities to be general expenditures except those relating to specific donor-imposed purpose restrictions and cash amounts held to be utilized at specific property locations. Phoenix Family has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due by operating a balanced budget. Thus the Organization anticipates collecting sufficient revenue to cover general expenditures. In addition, as part of its liquidity management, Phoenix Family's board of directors has designated funds to hold a cash reserve in a money market account to utilize towards any special projects or cash shortfalls.

**PHOENIX FAMILY**

**NOTES TO FINANCIAL STATEMENTS**

**(14) Subsequent events**

The Organization has evaluated subsequent events through October 26, 2023, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation, except for the matter included in Note 1 and the matters identified below.

Subsequent to June 30, 2023, the Organization entered into an office lease with Ventures that was for a one year term that could be extended annually. The terms of the lease provide for no cash consideration to be paid. Under the terms, no disclosure has been made for this lease resulting in a right of use asset or liability.

In addition, the Organization received payments under its receivable from HUD approximating \$274,000 subsequent to June 30, 2023.