



PHOENIX FAMILY

FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023





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, 2024 and 2023, 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 the Organization as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States 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 the Organization 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.

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 the Organization'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 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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.

CBIZ CPAs P.C.

Kansas City, Missouri
October 24, 2024

PHOENIX FAMILY

STATEMENTS OF FINANCIAL POSITION (Page 1 of 2)

June 30, 2024 and 2023

	2024	2023
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents		
Operating cash	\$ 12,730	\$ 12,152
Restricted and designated cash and cash equivalents:		
Cash reserve	426,215	435,395
Restricted cash	253,313	161,121
Designated cash	66,292	481,389
Total cash and cash equivalents	758,550	1,090,057
Accounts receivables, net	506,929	676,733
Developer fee receivable	15,685	15,685
Unconditional promises to give, net	35,000	45,015
Investments	390,582	301,000
Prepaid expenses	6,275	-
Right of use asset - operating lease (current portion)	2,087	2,087
Right of use asset - finance lease (current portion)	3,490	3,489
TOTAL CURRENT ASSETS	1,718,598	2,134,066
INVESTMENTS, less current portion	-	67,000
RIGHT OF USE ASSET - OPERATING LEASE	18,278	20,365
RIGHT OF USE ASSET - FINANCE LEASE	4,071	7,561
TOTAL ASSETS	\$ 1,740,947	\$ 2,228,992

See Notes to the Financial Statements

PHOENIX FAMILY

STATEMENTS OF FINANCIAL POSITION (Page 2 of 2)

June 30, 2024 and 2023

	2024	2023
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 72,520	\$ 111,116
Accrued expenses	162,889	169,552
Deferred revenue	112,000	220,000
Due to related party	-	414,032
Operating lease obligation	2,087	2,087
Finance lease obligation	3,521	3,422
TOTAL CURRENT LIABILITIES	353,017	920,209
NONCURRENT LIABILITIES		
Operating lease obligation	18,278	20,365
Finance lease obligation	4,236	7,757
TOTAL NONCURRENT LIABILITIES	22,514	28,122
TOTAL LIABILITIES	375,531	948,331
<u>NET ASSETS</u>		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Undesignated net assets	650,884	649,216
Board designated net assets	426,219	425,308
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,077,103	1,074,524
NET ASSETS WITH DONOR RESTRICTIONS	288,313	206,137
TOTAL NET ASSETS	1,365,416	1,280,661
TOTAL LIABILITIES AND NET ASSETS	\$ 1,740,947	\$ 2,228,992

See Notes to the Financial Statements

PHOENIX FAMILY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2024 and 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	
SERVICE REVENUE	\$ 2,074,497	\$ -	\$ 2,074,497	\$ 2,024,730
GRANTS AND CONTRIBUTIONS	901,196	308,249	1,209,445	756,008
OTHER SUPPORT AND REVENUE				
Revenue from special events				
Contributions of cash and other financial assets	316,827	-	316,827	384,960
Special event revenue	51,570	-	51,570	60,195
Less: special event expenditures	(90,769)	-	(90,769)	(197,179)
Net revenues from special events	277,628	-	277,628	247,976
Contributions of nonfinancial assets	337,054	-	337,054	299,249
Partnership management fees	10,000	-	10,000	7,500
Interest and investment income	33,704	-	33,704	614
Other income	22,386	-	22,386	475
Release of restrictions	226,073	(226,073)	-	-
TOTAL OTHER SUPPORT AND REVENUE	906,845	(226,073)	680,772	555,814
TOTAL REVENUE	3,882,538	82,176	3,964,714	3,336,552
EXPENSES				
Program services	3,118,787	-	3,118,787	3,016,179
Supporting services				
Management and general	547,250	-	547,250	521,299
Fundraising	213,922	-	213,922	201,785
Total supporting services	761,172	-	761,172	723,084
TOTAL EXPENSES	3,879,959	-	3,879,959	3,739,263
TOTAL CHANGES IN NET ASSETS	2,579	82,176	84,755	(402,711)
NET ASSETS, BEGINNING OF YEAR	1,074,524	206,137	1,280,661	1,683,372
NET ASSETS, END OF YEAR	\$ 1,077,103	\$ 288,313	\$ 1,365,416	\$ 1,280,661

See Notes to the Financial Statements

PHOENIX FAMILY
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2024 and 2023

	2024				2023			
	Program Services	Fundraising Services	Management and General	Total All Funds	Program Services	Fundraising Services	Management and General	Total All Funds
Payroll and related expenses	\$ 2,270,625	\$ 151,315	\$ 480,721	\$ 2,902,661	\$ 2,243,925	\$ 159,331	\$ 426,021	\$ 2,829,277
Supplies and office	272,674	23,183	33,955	329,812	237,623	17,582	32,341	287,546
Tenant and family services	342,428	-	-	342,428	350,172	-	-	350,172
Meetings and training	59,407	2,277	3,946	65,630	71,420	2,876	4,504	78,800
Bad debt	-	-	4,000	4,000	-	-	4,663	4,663
Accounting and professional fees	142,514	24,259	19,845	186,618	68,220	7,027	46,902	122,149
Special event expenses	-	10,962	-	10,962	-	12,618	-	12,618
Depreciation	-	-	-	-	8,520	-	-	8,520
Amortization expense	2,652	349	2,575	5,576	2,652	349	2,577	5,578
Insurance	28,487	1,577	2,208	32,272	33,647	2,002	4,291	39,940
TOTAL FUNCTIONAL EXPENSES	\$ 3,118,787	\$ 213,922	\$ 547,250	\$ 3,879,959	\$ 3,016,179	\$ 201,785	\$ 521,299	\$ 3,739,263
	<u>80.38%</u>	<u>5.51%</u>	<u>14.11%</u>	<u>100.00%</u>	<u>80.66%</u>	<u>5.40%</u>	<u>13.94%</u>	<u>100.00%</u>

See Notes to the Financial Statements

PHOENIX FAMILY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 84,755	\$ (402,711)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	-	8,520
Amortization of right to use asset - operating lease	3,489	3,490
Amortization of right to use asset - financing lease	2,087	2,088
Conversion of related party advance payable to contribution	(414,032)	-
Net realized and unrealized gain on investments	(10,977)	
Change in operating assets and liabilities:		
Accounts receivables	169,804	(73,849)
Prepaid expenses	(6,275)	5,000
Unconditional promises to give	10,015	(14,885)
Accounts payable	(38,596)	60,209
Accrued expenses	(6,663)	(41,369)
Deferred revenue	(108,000)	11,000
Operating lease obligation	(2,087)	(2,088)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(316,480)	(444,595)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(120,618)	(243,000)
Sales of investments	109,013	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(11,605)	(243,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from related party	-	34,697
Finance lease payments	(3,422)	(3,361)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(3,422)	31,336
 NET CHANGE IN CASH, RESTRICTED CASH AND CASH EQUIVALENTS	 (331,507)	 (656,259)
 CASH, RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 1,090,057	 1,746,316
 CASH, RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	 \$ 758,550	 \$ 1,090,057
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of related party advance payable to contribution	\$ 414,032	\$ -
CASH AND CASH EQUIVALENTS		
Operating cash	\$ 12,730	\$ 12,152
Restricted and designated cash and cash equivalents:		
Cash reserve	426,215	435,395
Restricted cash	253,313	161,121
Designated cash	66,292	481,389
CASH, RESTRICTED AND DESIGNATED CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 758,550	\$ 1,090,057

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 4,822 people living in 3,330 units at 22 senior residential communities and 13 multi-family communities in Missouri, Kansas, and Iowa. In addition, the Organization has partnerships with other affordable housing communities serving six 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 and designated 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. Designated cash and cash equivalents include board designated cash reserves and cash held in accounts from specific service coordinator property locations. These restricted and designated 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 two 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 and fixed income corporate bonds. Investments are reflected at fair value. During the years then ended June 30, 2024 and 2023, the investments earned yearly interest at rates between 2.85% and 5.35%, with maturity dates from July 2023 through November 2024. Subsequent to June 30, 2024, \$150,000 of the investments that matured in September 2024 were not reinvested in the certificate of deposit.

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, office, 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 and designated 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, 2024, 2023, and 2022, accounts receivable, net included on the statements financial position were \$506,929 \$676,733 and \$602,884 respectively.

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, 2024 and 2023. 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 2021.

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, 2024, 2023, and 2022, receipt of income for future period services included in deferred revenue on the statements of financial position were \$112,000 \$220,000 and \$209,000, respectively.

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, 2024 and 2023, 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.

PHOENIX FAMILY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Contributions of non-financial assets and services - 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, 2024 and 2023:

- The Organization received \$156,500 and \$159,150, 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 \$13,419 and \$2,666, 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 \$14,025 and \$12,150, 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.
- The Organization received \$57,132 during the year ended June 30, 2024, for the Help Instill the Key to Education (“HIKE”) program. Donations included contributed meals and snacks to distribute for the program. The Organization utilizes the Child and Adult Food Program federal reimbursement rates in order to determine the value of the meals and snacks.
- The Organization received \$5,003 and \$0, respectively, of donated canned goods received. The Organization utilizes prices charged to the donor for the value of the donated canned goods.

Donated services 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, 2024 and 2023, 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 during the year ended June 30, 2024 and 2023 have been included as contributions of nonfinancial assets in the statement of activities and changes in net assets. Of these amounts, the Organization recognized \$0 and \$23,640, 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, 2024 and 2023. Additionally, of these amounts, the Organization recognized \$88,620 of donated office space, which reflects management’s estimate of the value of the space for each of the years ended June 30, 2024 and 2023.

PHOENIX FAMILY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

The Organization recognized \$2,355 and \$2,708 respectively, of donated equipment rental, which reflects management's estimate of the value of the space for the years ended June 30, 2024 and 2023. Lastly, the Organization recognized \$0 and \$10,315, respectively, of donated video services received during the years ending June 30, 2024 and 2023.

Reclassifications - Certain items in the 2023 financial statements have been reclassified to conform to the 2024 financial statement presentation. There was no impact on the change in net assets.

(2) Accounts receivables

	June 30,	
	2024	2023
Receivable - Department of Housing and Urban Development ("HUD")	\$ 452,005	\$ 610,013
Trade receivables	56,424	54,735
Sponsorship receivable	-	13,485
Less: allowance for doubtful accounts	(1,500)	(1,500)
Net other receivables	\$ 506,929	\$ 676,733

On a periodic basis, the Organization evaluates receivables and establishes an allowance for credit losses based on history, past write-offs, collections, and current economic conditions. Receivables are written when it is determined that all collection efforts have been exhausted.

(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 remaining fee balance of \$15,865 is reflected as current on the statements of financial position.

(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.

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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, 2024 and 2023. 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, 2024 and 2023, 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, 2024 and 2023, there were no long term pledges and therefore no applicable discount rate. Amortization of any discount would be included in contribution revenue.

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 and expected 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, 2024 and 2023.

	June 30,	
	2024	2023
Unconditional promises to give	\$ 35,000	\$ 45,015
Less: current portion	(35,000)	(45,015)
Long-term unconditional promises to give	\$ -	\$ -

(6) Investments and fair value

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

	June 30,	
	2024	2023
Certificates of deposit	\$ 130,842	\$ 368,000
Fixed income bonds	259,740	-
Total investments	\$ 390,582	\$ 368,000

Investment income is included in interest and investment income on the statements of activities and changes in net assets for the years ended June 30, 2024 and 2023 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 financial assets and liabilities 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, 2024.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 130,842	\$ -	\$ 130,842
Fixed income bonds	259,740	-	-	259,740
Total investments	<u>\$ 259,740</u>	<u>\$ 130,842</u>	<u>\$ -</u>	<u>\$ 390,582</u>

The following table summarizes the valuation of financial instruments by the above pricing levels as of June 30, 2023.

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

PHOENIX FAMILY

NOTES TO FINANCIAL STATEMENTS

(7) Fixed assets

	June 30,	
	2024	2023
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)	(161,652)
Net fixed assets	\$ -	\$ -

Depreciation expense charged to operations was \$0 and \$8,520 for the years ended June 30, 2024 and 2023, respectively.

(8) Net assets with donor restrictions

Net assets with donor restrictions are comprised of the following:

	June 30,	
	2024	2023
HIKE Reading Achievement Program	\$ 104,464	\$ 117,318
Emergency Assistance	29,353	25,503
Senior Empowerment Program	31,625	5,452
Other purposes	17,871	17,849
Time restricted, net	105,000	40,015
Total	\$ 288,313	\$ 206,137

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

	Years Ended June 30,	
	2024	2023
HIKE Reading Achievement Program	\$ 112,530	\$ 90,856
Emergency Assistance	34,376	58,545
Senior Empowerment Program	23,494	26,469
Time restricted	35,015	18,500
Other purposes	20,658	24,223
Total	\$ 226,073	\$ 218,593

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NOTES TO FINANCIAL STATEMENTS

(9) 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.

The components of these lease cost are as follows:

	June 30,	
	2024	2023
Supplemental cash flow information:		
Operating cash flows from operating leases	\$ 2,974	\$ 3,035
Financing cash flows from finance leases	\$ 3,422	\$ 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)	2.09	3.09
Financing leases (years)	8.45	9.45
Weighted-average discount rate		
Operating leases (percentage)	2.88%	2.88%
Financing leases (percentage)	2.88%	2.88%

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>
2025	\$ 2,700	\$ 3,696
2026	2,700	3,696
2027	2,700	616
2028	2,700	-
2029	2,700	-
Thereafter	9,450	-
Total	\$ 22,950	\$ 8,008

Total rent and occupancy expense was \$92,656 and \$102,932 for the years ended June 30, 2024 and 2023, respectively. This expense includes the amount of donated office space described in Note 1.

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NOTES TO FINANCIAL STATEMENTS

(9) Lease commitments (continued)

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.

(10) Related party transactions

During the years ended June 30, 2024 and 2023, \$845,532 and \$300,000 was contributed to the Organization from Ventures, respectively. As of June 30, 2024 and 2023, \$0 and \$414,032, respectively, was owed to Ventures for advances to fund operations resulting from delays in HUD funding. During the year ended June 30, 2024, the payable to Ventures was converted to a contribution.

In addition to the developer fee discussed in Note 3, the Organization also earned partnership management fees and distributions of \$10,000 and \$7,500, 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, 2024 and 2023.

As of June 30, 2024 and 2023, the Organization is owed \$335,980 and \$301,372, respectively, in partnership management fees from Stone Gardens. Payments towards these fees are expected to be received from the property's available cash flow, if any. Management has assessed the probability of the property generating sufficient positive cash flow to be remote based upon the low priority of this obligation. As such, the Organization has fully reserved the balance as of June 30, 2024. Management will reassess the value of this obligation on an annual basis and, if economic factors change, the Organization will reflect the changes as current period activity.

(11) 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.

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NOTES TO FINANCIAL STATEMENTS

(11) Concentrations (continued)

The Organization offers services to multiple properties, of which approximately 21% of these properties are owned by one entity as of June 30, 2024 and 2023. 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 11% and 8% respectively, of the accounts receivables, net balance was due from these parties as of June 30, 2024 and 2023. Approximately 89% and 90%, respectively, of the receivables balance was due from HUD.

(12) Liquidity

The following reflects the Organization's financial assets as of June 30, 2024 and 2023, available for general expenditures within one year of the statements of financial position.

	June 30,	
	2024	2023
Financial assets, end of year		
Cash and cash equivalents	\$ 758,550	\$ 1,090,057
Receivables, net	506,929	676,733
Developer fee receivable - current portion	15,685	15,685
Unconditional promises to give, net - current portion	35,000	45,015
Subtotal	1,316,164	1,827,490
Less those unavailable for general expenditures within one year due to:		
Restricted cash	(253,313)	(161,121)
Cash reserve	(426,215)	(435,395)
Financial assets available to meet cash needs for general expenditures within one year	\$ 636,636	\$ 1,230,974

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.

(13) Subsequent events

The Organization has evaluated subsequent events through October 24, 2024, 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.

In addition, the Organization received payments under its receivable from HUD approximating \$400,000 subsequent to June 30, 2024.