PHOENIX FAMILY

FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

PHOENIX FAMILY

We have audited the accompanying financial statements of Phoenix Family (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phoenix Family as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2019, the Organization adopted Accounting Standards Updated ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited the financial statements for Phoenix Family as of and for the year ended June 30, 2018, and our report dated October 25, 2018 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
October 24, 2019

PHOENIX FAMILY

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Operating cash	$ 305,647	$ 209,539
Cash reserve	310,408	290,557
Restricted cash	132,322	83,419
Cash held for other organizations	297,101	298,091
Total cash and cash equivalents	1,045,478	881,606
Other receivables, net	168,132	288,937
Developer fee receivable - current portion	53,500	93,542
Unconditional promises to give, net - current portion	36,700	33,150
TOTAL CURRENT ASSETS	1,303,810	1,297,235
DEVELOPER FEE RECEIVABLE, less current portion	53,931	54,079
UNCONDITIONAL PROMISES TO GIVE, less current portion	30,000	-
FIXED ASSETS, at cost, less accumulated depreciation	37,920	22,506
TOTAL ASSETS	$ 1,425,661	$ 1,373,820
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 39,608	$ 37,567
Accrued expenses	145,414	147,589
Deferred revenue	307,744	314,097
TOTAL CURRENT LIABILITIES	492,766	499,253
NET ASSETS		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Undesignated net assets	471,645	471,756
Board designated net assets	310,408	290,557
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	782,053	762,313
NET ASSETS WITH DONOR RESTRICTIONS	150,842	112,254
TOTAL NET ASSETS	932,895	874,567
TOTAL LIABILITIES AND NET ASSETS	$ 1,425,661	$ 1,373,820

See Notes to Financial Statements

PHOENIX FAMILY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2019, with Summarized Financial Information for the Year Ended June 30, 2018

	2019			2018
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	
SERVICE REVENUE	$ 1,545,009	$ -	$ 1,545,009	$ 1,583,717
GRANTS AND CONTRIBUTIONS	820,431	291,598	1,112,029	684,998
OTHER SUPPORT AND REVENUE				
Special event income	541,101	-	541,101	397,091
Less: special event expenditures	(212,273)	-	(212,273)	(165,481)
Net revenues from special events	328,828	-	328,828	231,610
Partnership management fees	57,474	-	57,474	57,414
Interest income	373	-	373	352
Gain on sale of fixed assets	-	-	-	4,361
Other income	4,863	-	4,863	6,388
Release of restrictions	253,010	(253,010)	-	-
TOTAL OTHER SUPPORT AND REVENUE	644,548	(253,010)	391,538	300,125
TOTAL REVENUE	3,009,988	38,588	3,048,576	2,568,840
EXPENSES				
Program services	2,352,803	-	2,352,803	2,271,178
Supporting services				
Management and general	445,894	-	445,894	371,449
Fundraising	191,551	-	191,551	164,319
Total supporting services	637,445	-	637,445	535,768
TOTAL EXPENSES	2,990,248	-	2,990,248	2,806,946
TOTAL CHANGES IN NET ASSETS	19,740	38,588	58,328	(238,106)
NET ASSETS, BEGINNING OF YEAR	762,313	112,254	874,567	1,112,673
NET ASSETS, END OF YEAR	$ 782,053	$ 150,842	$ 932,895	$ 874,567

See Notes to Financial Statements

PHOENIX FAMILY

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2019 and 2018

	2019				2018			
	Program Services	Fundraising Services	Management and General	Total All Funds	Program Services	Fundraising Services	Management and General	Total All Funds
Payroll and related expenses	$ 1,836,239	$ 174,412	$ 322,376	$ 2,333,027	$ 1,765,601	$ 154,261	$ 278,311	$ 2,198,173
Supplies and office	165,827	11,992	27,284	205,103	197,801	8,291	42,118	248,210
Tenant and family services	290,042	-	-	290,042	263,525	-	-	263,525
Meetings and training	36,351	3,192	24,727	64,270	31,613	-	23,377	54,990
Bad debt	-	-	43,200	43,200	-	-	-	-
Accounting and professional fees	-	-	24,694	24,694	-	-	24,455	24,455
Depreciation	9,386	-	-	9,386	3,127	-	-	3,127
Insurance	14,958	1,955	3,613	20,526	9,511	1,767	3,188	14,466
TOTAL FUNCTIONAL EXPENSES	$ 2,352,803	$ 191,551	$ 445,894	$ 2,990,248	$ 2,271,178	$ 164,319	$ 371,449	$ 2,806,946
	78.68%	6.41%	14.91%	100.00%	80.91%	5.85%	13.24%	100.00%

See Notes to Financial Statements

PHOENIX FAMILY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 58,328	$ (238,106)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Gain on sale of fixed assets	-	(4,361)
Depreciation	9,386	3,127
Change in operating assets and liabilities:		
Other receivables	120,805	126,237
Prepaid expenses	-	114
Developer fee receivable	40,190	93,541
Unconditional promises to give	(33,550)	40,541
Accounts payable	2,041	13,706
Accrued expenses	(2,175)	14,246
Deferred revenue	(6,353)	(108,598)
NET CASH FLOWS FROM OPERATING ACTIVITIES	188,672	(59,553)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(24,800)	(24,199)
Proceeds from sale of fixed assets	-	18,740
NET CASH FLOWS FROM INVESTING ACTIVITIES	(24,800)	(5,459)
NET CHANGE IN CASH AND CASH EQUIVALENTS	163,872	(65,012)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	881,606	946,618
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,045,478	$ 881,606
CASH AND CASH EQUIVALENTS, END OF YEAR		
Operating cash	$ 305,647	$ 209,539
Cash reserve	310,408	290,557
Restricted cash	132,322	83,419
Cash held for other organizations	297,101	298,091
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,045,478	$ 881,606

See Notes to Financial Statements

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 5,630 people living in 3,080 units at 24 senior residential communities and 11 multi-family communities in Missouri, Kansas and Iowa. In addition, the Organization has partnerships with 14 other affordable housing communities, serving 1,229 units in 10 states nationwide. During the year ended June 30, 2013, the Organization underwent a reorganization wherein Phoenix Family Ventures, Inc. (“Ventures”) a not-for-profit with a similar mission, was given control over the appointment of the Board of Directors of the Organization. The restructuring was completed to allow 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:

Assets	Estimated Useful Lives
Furniture, fixtures and equipment	5
Computer equipment	3 - 5
Vehicles	5

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 and cash equivalents - For purposes of the statements of cash flows, cash and cash equivalents are considered to be bank checking and money market accounts and cash on hand.

Investments - The Organization has a small fractional interest in several low-income housing partnerships. Management estimates that the current value of their partnership interests is negligible to the financial statements as a whole and, accordingly, has not reflected any value in these financial statements.

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.

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

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.

(1) Summary of significant accounting policies (continued)

Net assets with donor restrictions - Net assets with donor restrictions consist of purpose and time restrictions on grants 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 held in a separate bank account.

Revenue recognition - All contributions are considered to be available for general use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. As of June 30, 2019 and 2018, net assets with donor restrictions are net assets subject to restrictions imposed by donors and grantors that will be met by actions of the Organization or the passage of time. Service, grant, and partnership management fee revenues are recognized as services are performed. Developer fee revenue is recognized over the course of the construction or rehabilitation of projects.

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, 2019 and 2018, which do not meet the requirements of the Not-For-Profit Topic of the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) related to revenue recognition of contributions received and, accordingly, are not recorded in these financial statements. The Organization received $167,719 and $129,425 of donated services and goods during the years ended June 30, 2019 and 2018, respectively. During each of the years ended June 30, 2019 and 2018, the amount of donated services and goods included $10,500, of donated office space, which reflects management’s estimate of the value of the space.

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, 2019 and 2018, 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.

Recent accounting pronouncements - The FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. This ASU was effective for the year ended June 30, 2019.

(2) Other receivables

	June 30, 2019	June 30, 2018
Trade receivables	$ 34,361	$ 20,932
Grants receivable	29,361	26,621
HUD receivable	84,410	210,884
Partnership management fees receivable	20,000	30,500
Total	$ 168,132	$ 288,937

The Organization allows for aged partnership fee receivables where no payments have been made in the current year and which has an outstanding balance of greater than one year. The allowance as of June 30, 2019 and 2018 was $16,500 and $0, respectively.

It is management's belief that the entire HUD receivable balance due as of June 30, 2019 will be collected. Management's assessment included the following considerations: the Organization has never experienced issued in collecting on these receivables in the past; and HUD is funded by the United States federal government, which has sufficient resources to pay the obligation.

(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. Of the fee earned, $40,190 and $93,542 was paid during the years ended June 30, 2019 and 2018, respectively.

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

Years ending June 30,	
2020	$ 53,500
2021	53,931
Total	$ 107,431

(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. With consideration of the aforementioned factors, the Organization has fully reserved the note as of June 30, 2019 and 2018. 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 each of the years ended June 30, 2019 and 2018 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. The discount rate used in valuing unconditional promises to give is 2.76% per year. Amortization of the discount is included in contribution revenue. Management has evaluated the discount as of June 30, 2019 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 and collections and current conditions. A promise is written off when it is determined that all collection efforts have been exhausted. Management has estimated an allowance for uncollectible accounts of $1,250 and $0 as of June 30, 2019 and 2018, respectively.

The following table summarizes promises to give as of June 30, 2019 and 2018.

	June 30, 2019	June 30, 2018
Unconditional promises to give	$ 67,950	$ 33,150
Less: allowance for doubtful accounts	(1,250)	-
Net unconditional promises to give	$ 66,700	$ 33,150

Amounts due in:

Years ending June 30,	
2020	$ 37,950
2021	10,000
2022	10,000
2023	10,000
Total unconditional promises to give	$ 67,950

(6) Fixed assets

	June 30, 2019	June 30, 2018
Cost		
Furniture, fixtures and equipment	$ 7,718	$ 7,718
Computer equipment	104,935	104,935
Vehicles	69,102	44,302
Total cost	181,755	156,955
Less: accumulated depreciation	(143,835)	(134,449)
Net fixed assets	$ 37,920	$ 22,506

Depreciation expense charged to operations was $9,386 and $3,127 for the years ended June 30, 2019 and 2018, respectively.

(7) Deferred revenue

Deferred revenue represents funding that has been received from individual apartment complexes and/or state agencies under contractual obligations to provide services to tenants at future points in time. The revenue is to be recognized as expenses are incurred and/or as time lapses. As funds are received they are maintained in cash held for other organizations until the revenue is earned, at which time the funds are transferred to operating cash.

(8) Net assets with donor restrictions

Net assets with donor restrictions are comprised of the following:

	June 30, 2019	June 30, 2018
HIKE Reading Achievement Program	$ 49,631	$ 46,240
Senior Empowerment Program	14,739	22,644
Emergency Assistance	10,258	-
Technology	6,259	-
Program Services	3,255	10,220
Time restricted, net	66,700	33,150
Total	$ 150,842	$ 112,254

Of the time restricted net assets as of June 30, 2019 and 2018, approximately 59% and 0%, respectively, consist of restricted gifts for the HIKE Reading Achievement Program.

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

	Years Ended June 30, 2019	Years Ended June 30, 2018
HIKE Reading Achievement Program	$ 147,883	$ 149,019
Senior Empowerment Program	41,638	11,229
Emergency Assistance	20,263	36,908
Technology	2,741	-
Program Services	7,335	49,531
Time restricted	33,150	73,691
Total	$ 253,010	$ 320,378

(9) Lease commitments

The Organization leases solar panels and a copier under operating leases. Minimum future rental payments under these non-cancelable leases with an original term in excess of one year are as follows:

Years ending June 30,	
2020	$ 6,192
2021	3,864
2022	2,700
2023	2,700
2024	2,700
Thereafter	21,600
Total	$ 39,756

Total rent and occupancy expense was $33,675 and $40,361 for the years ended June 30, 2019 and 2018, respectively. This expense includes the amount of donated office space described in Note 1.

(10) Related party transactions

During the years ended June 30, 2019 and 2018, respectively, $208,957 and $140,000 was contributed to the Organization from Ventures.

In addition to the developer fee discussed in Note 3, the Organization also received partnership management fees of $57,200 and $51,200 from Partnerships in which the Organization holds an ownership interest, which have been reflected on the statements of activities and changes in net assets for the years ended June 30, 2019 and 2018, respectively.

(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.

The Organization offers services to multiple properties, of which 54% and 59% of these properties are owned by two different entities as of June 30, 2019 and 2018, respectively. The remaining properties are owned by various owners.

The Organization depends on service coordinator grant proceeds from the United States Department of Housing and Urban Development ("HUD") to fund a substantial portion of its programs. Approximately 50% and 73% of the total accounts receivable balance was due from HUD as of June 30, 2019 and 2018, respectively.

(12) Liquidity

The following reflects the Organization's financial assets as of June 30, 2019, available for general expenditures within one year of the statements of financial position.

Financial assets, end of year	
Cash and cash equivalents	$ 1,045,478
Receivables, net	168,132
Developer fee receivable - current portion	53,500
Unconditional promises to give, net - current portion	36,700
Subtotal	1,303,810
Less those unavailable for general expenditures within one year due to:	
Net assets with donor purpose restriction	(84,142)
Cash held for other organizations	(297,101)
Board designated net assets	(310,408)
Financial assets available to meet cash needs for general expenditures within one year	$ 612,159

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, 2019, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.