PHOENIX FAMILY

FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

MHM

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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, 2017, 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 auditor's 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, 2017, 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.

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, 2016, and our report dated October 27, 2016 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, 2016, 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 26, 2017

PHOENIX FAMILY

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Operating cash	$ 240,909	$ 260,602
Cash reserve	250,215	136,472
Restricted cash	96,510	191,028
Cash held for other organizations	358,984	379,486
Total cash and cash equivalents	946,618	967,588
Receivables	415,174	126,288
Prepaid expenses	114	388
Developer fee receivable, current portion	93,542	93,542
Unconditional promises to give, current portion	73,691	84,600
TOTAL CURRENT ASSETS	1,529,139	1,272,406
DEVELOPER FEE RECEIVABLE, less current portion	147,620	241,161
UNCONDITIONAL PROMISES TO GIVE, less current portion and discount	-	41,768
FIXED ASSETS, at cost, less accumulated depreciation	15,813	25,654
TOTAL ASSETS	$ 1,692,572	$ 1,580,989
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 23,861	$ 30,964
Accrued expenses	133,343	131,809
Deferred revenue	422,695	348,620
TOTAL CURRENT LIABILITIES	579,899	511,393
NET ASSETS		
UNRESTRICTED NET ASSETS		
Undesignated net assets	692,859	630,881
Designated net assets	250,214	136,472
TOTAL UNRESTRICTED NET ASSETS	943,073	767,353
TEMPORARILY RESTRICTED NET ASSETS	169,600	302,243
TOTAL NET ASSETS	1,112,673	1,069,596
TOTAL LIABILITIES AND NET ASSETS	$ 1,692,572	$ 1,580,989

See Notes to Financial Statements

PHOENIX FAMILY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2017, with Summarized Financial Information for the Year Ended June 30, 2016

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
SERVICE REVENUE	$ 1,347,550	$ -	$ 1,347,550	$ 1,389,658
GRANTS AND CONTRIBUTIONS	883,230	187,481	1,070,711	699,054
OTHER SUPPORT AND REVENUE				
Special event income	461,062	-	461,062	250,080
Less: special event expenditures	(272,893)	-	(272,893)	(171,588)
Net revenues from special events	188,169	-	188,169	78,492
Partnership management fees	58,700	-	58,700	127,450
Interest income	296	-	296	333
Release of temporary restrictions	320,124	(320,124)	-	-
TOTAL OTHER SUPPORT AND REVENUE	567,289	(320,124)	247,165	206,275
TOTAL REVENUE	2,798,069	(132,643)	2,665,426	2,294,987
EXPENSES				
Program services	2,122,687	-	2,122,687	2,002,806
Supporting services				
Management and general	333,922	-	333,922	331,785
Fundraising	165,740	-	165,740	137,113
Total supporting services	499,662	-	499,662	468,898
TOTAL EXPENSES	2,622,349	-	2,622,349	2,471,704
TOTAL CHANGES IN NET ASSETS	175,720	(132,643)	43,077	(176,717)
NET ASSETS, BEGINNING OF YEAR	767,353	302,243	1,069,596	1,246,313
NET ASSETS, END OF YEAR	$ 943,073	$ 169,600	$ 1,112,673	$ 1,069,596

See Notes to Financial Statements

PHOENIX FAMILY

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2017 and 2016

	2017				2016			
	Program Services	Fundraising Services	Management and General	Total All Funds	Program Services	Fundraising Services	Management and General	Total All Funds
Payroll and related expenses	$ 1,702,667	$ 147,704	$ 247,399	$ 2,097,770	$ 1,622,916	$ 114,900	$ 244,919	$ 1,982,735
Supplies and office	150,760	16,086	41,322	208,168	137,866	16,016	45,330	199,212
Tenant and family services	223,435	-	-	223,435	179,530	-	-	179,530
Meetings and training	25,133	-	16,875	42,008	38,778	4,604	15,609	58,991
Accounting and professional fees	20	-	25,060	25,080	-	-	22,533	22,533
Depreciation	9,276	211	354	9,841	16,426	489	1,042	17,957
Insurance	11,396	1,739	2,912	16,047	7,290	1,104	2,352	10,746
TOTAL FUNCTIONAL EXPENSES	$ 2,122,687	$ 165,740	$ 333,922	$ 2,622,349	$ 2,002,806	$ 137,113	$ 331,785	$ 2,471,704
	80.95%	6.32%	12.73%	100.00%	81.03%	5.55%	13.42%	100.00%

See Notes to Financial Statements

PHOENIX FAMILY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 43,077	$ (176,717)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	9,841	17,957
Change in operating assets and liabilities:		
Receivables	(288,886)	(33,370)
Prepaid expenses	274	11,436
Developer fee receivable	93,541	93,542
Unconditional promises to give	52,677	67,824
Accounts payable	(7,103)	(706)
Accrued expenses	1,534	25,260
Deferred revenue	74,075	(55,067)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(20,970)	(49,841)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	967,588	1,017,429
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 946,618	$ 967,588
CASH AND CASH EQUIVALENTS, END OF YEAR		
Operating cash	$ 240,909	$ 260,602
Cash reserve	250,215	136,472
Restricted cash	96,510	191,028
Cash held for other organizations	358,984	379,486
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 946,618	$ 967,588

See Notes to 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 5,655 people living in 3,520 units at 22 senior residential communities and 14 multi-family communities in Missouri, Kansas and Iowa. In addition, the Organization has partnerships with 13 other affordable housing communities, serving 1,163 units in 11 cities 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.

Designated net assets - Designated net assets represent funds designated by the board of directors for specific projects and/or cash shortfalls and are held in a separate bank account.

(1) Summary of significant accounting policies (continued)

Temporarily restricted net assets - Temporarily restricted net assets consist of purpose and time restrictions on grants and other contributions.

Reclassification - Certain reclassifications have been made to prior year balances to conform to the current year presentation. There was no net effect of these reclassifications on change in net assets.

Revenue recognition - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. As of June 30, 2017 and 2016, temporarily restricted net assets 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, 2017 and 2016, 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 $160,447 and $55,278 of donated services and goods during the years ended June 30, 2017 and 2016, respectively. During the year ended June 30, 2017, the amount of donated services and goods included $2,625 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 and general partner 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, 2017 and 2016, 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.

(2) Receivables

	June 30, 2017	June 30, 2016
Trade receivables	$ 20,380	$ 20,161
Grants receivable	27,435	-
HUD receivable	342,859	101,127
Partnership management fees receivable	24,500	5,000
Total	$ 415,174	$ 126,288

Management believes all receivables are fully collectible as of June 30, 2017 and 2016.

The U.S. Department of Housing and Urban Development's system for making payments towards the service coordinator grant changed towards the end of the year ended June 30, 2016. The result of this change was that payments towards the service coordinator grants weren't being paid out to the Organization and, consequently, the HUD receivable balance has continued to increase. As time has passed and collection has not been made, management has assessed the collectability of the HUD receivable balance. It is management's belief that the entire balance due as of June 30, 2017 will be collected. Management's assessment included the following considerations: all services reflected within the HUD receivable balance were approved during the U.S. Department of Housing and Urban Development's 2016 and 2017 budgets; 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, $93,542 was paid during both the years ended June 30, 2017 and 2016.

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

Years ending June 30,		
2018	$	93,542
2019		93,542
2020		54,078
Total	$	241,162

(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, 2017 and 2016. 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, 2017 and 2016 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 4% per year. Amortization of the discount is 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 and collections and current conditions. A promise is written off when it is determined that all collection efforts have been exhausted. Management has determined that an allowance for uncollectible accounts was not needed as of June 30, 2017 and 2016.

As of June 30, 2017, all unconditional promises to give were expected to be collected within one year. As such, no discount was applied to the balance. The following table summarizes promises to give and related discounts as of June 30, 2017 and 2016.

	June 30, 2017		June 30, 2016	
Unconditional promises to give	$	73,691	$	129,841
Less: unamortized discount		-		(3,473)
Net unconditional promises to give	$	73,691	$	126,368

(6) Fixed assets

	June 30, 2017	June 30, 2016
Cost		
Furniture, fixtures and equipment	$ 7,718	$ 7,718
Computer equipment	104,935	104,935
Vehicles	47,603	47,603
Total cost	160,256	160,256
Less: accumulated depreciation	(144,443)	(134,602)
Net fixed assets	$ 15,813	$ 25,654

(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) Temporarily restricted net assets

Temporarily restricted net assets are comprised of the following:

	June 30, 2017	June 30, 2016
HIKE Reading Achievement Program	$ 45,857	$ 124,341
Senior Empowerment Program	-	13,387
School Readiness Program	-	9,950
Emergency assistance	2,618	740
Technology	-	6,873
Other program services	47,434	20,584
Time restricted	73,691	126,368
Total	$ 169,600	$ 302,243

Of the time restricted net assets as of June 30, 2017 and 2016, approximately 69% and 72%, respectively, consist of restricted gifts for the HIKE Reading Achievement Program.

Temporarily restricted net assets were released from restriction for the following purposes:

	June 30, 2017	June 30, 2016
HIKE Reading Achievement Program	$ 159,532	$ 149,953
Senior Empowerment Program	13,387	17,940
School Readiness Program	9,950	-
Emergency assistance	51,030	37,709
Technology	6,873	3,127
Other program services	3,485	187,580
Time restricted	75,867	95,324
Total	$ 320,124	$ 491,633

(9) Lease commitments

The Organization leases a copier under an operating lease. 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,		
2018	$	3,492
2019		3,492
2020		3,492
2021		1,164
Total	$	11,640

Total rent and occupancy expense was $47,850 and $60,472 for the years ended June 30, 2017 and 2016, respectively.

(10) Related party transactions

During the years ended June 30, 2017 and 2016, respectively, $538,476 and $70,000 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 $46,200 and $52,700 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, 2017 and 2016, 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 47% and 48% of these properties are owned by two different entities as of June 30, 2017 and 2016, 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 77% and 48% of the total accounts receivable balance was due from HUD as of June 30, 2017 and 2016, respectively.

(12) Subsequent events

The Organization has evaluated subsequent events through October 26, 2017, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.