

WELCOME HOME, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Welcome Home, Inc.

Opinion

We have audited the accompanying financial statements of Welcome Home, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 U.S. generally accepted accounting principles, 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 within 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

William F. Keppers UC

Columbia, Missouri
June 16, 2023

WELCOME HOME, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 592,947	\$ 402,017
Investments	762,526	827,138
Grants receivable	294,518	245,638
Inventory	214,535	245,208
Prepaid expenses	19,225	18,139
Total current assets	1,883,751	1,738,140
PROPERTY AND EQUIPMENT, NET	3,072,122	3,076,949
Total assets	\$ 4,955,873	\$ 4,815,089
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 129,047	\$ 20,933
Accrued liabilities	110,911	100,642
Total liabilities	239,958	121,575
NET ASSETS		
Without donor restrictions	4,495,049	4,466,614
With donor restrictions	220,866	226,900
Total net assets	4,715,915	4,693,514
Total liabilities and net assets	\$ 4,955,873	\$ 4,815,089

The notes to the financial statements are an integral part of these statements.

WELCOME HOME, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022
With Summarized Totals for the Year Ended December 31, 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES AND OTHER SUPPORT				
Contracts	\$ 1,410,576	\$ -	\$ 1,410,576	\$ 1,350,739
Contributions and grants	871,939	-	871,939	1,138,607
In-kind contributions	68,627	-	68,627	289,878
Investment return, net	(64,531)	-	(64,531)	1,278
Miscellaneous revenue	903	-	903	330
Net assets released from restrictions	6,034	(6,034)	-	-
Total revenues and other support	<u>2,293,548</u>	<u>(6,034)</u>	<u>2,287,514</u>	<u>2,780,832</u>
EXPENSES				
Program	1,725,526	-	1,725,526	1,603,987
Management and general	227,004	-	227,004	203,868
Fundraising	312,583	-	312,583	216,088
Total expenses	<u>2,265,113</u>	<u>-</u>	<u>2,265,113</u>	<u>2,023,943</u>
Change in net assets	28,435	(6,034)	22,401	756,889
Net assets, beginning of year	4,466,614	226,900	4,693,514	3,936,625
Net assets, end of year	<u>\$ 4,495,049</u>	<u>\$ 220,866</u>	<u>\$ 4,715,915</u>	<u>\$ 4,693,514</u>

The notes to the financial statements are an integral part of these statements.

WELCOME HOME, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contracts	\$ 1,350,739	\$ -	\$ 1,350,739
Contributions and grants	677,607	461,000	1,138,607
In-kind contributions	289,878	-	289,878
Investment return, net	1,278	-	1,278
Miscellaneous revenue	330	-	330
Net assets released from restrictions	234,100	(234,100)	-
	<u>2,553,932</u>	<u>226,900</u>	<u>2,780,832</u>
EXPENSES			
Program	1,603,987	-	1,603,987
Management and general	203,868	-	203,868
Fundraising	216,088	-	216,088
	<u>2,023,943</u>	<u>-</u>	<u>2,023,943</u>
Change in net assets	529,989	226,900	756,889
Net assets, beginning of year	3,936,625	-	3,936,625
Net assets, end of year	<u>\$ 4,466,614</u>	<u>\$ 226,900</u>	<u>\$ 4,693,514</u>

The notes to the financial statements are an integral part of these statements.

WELCOME HOME, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program	Management and General	Fundraising	Total
Payroll and related benefits and taxes	\$ 1,134,394	\$ 130,458	\$ 147,494	\$ 1,412,346
Fundraising events	116	30,673	117,246	148,035
Depreciation expense	128,686	2,678	2,678	134,042
Client assistance	97,750	2,960	-	100,710
Client meals and food	88,957	-	-	88,957
Professional fees	40,928	29,930	752	71,610
Utilities	64,102	567	2,143	66,812
Supplies and equipment	51,558	3	4,765	56,326
Office expense	27,896	5,904	9,102	42,902
Insurance	30,541	7,584	2,165	40,290
Training	16,581	14,094	7,458	38,133
Maintenance and security	27,492	-	-	27,492
Advertising	1,718	-	13,731	15,449
Travel and transportation	9,826	-	-	9,826
Miscellaneous	4,081	766	4,695	9,542
Dues and subscriptions	900	1,387	354	2,641
Total	<u>\$ 1,725,526</u>	<u>\$ 227,004</u>	<u>\$ 312,583</u>	<u>\$ 2,265,113</u>

The notes to the financial statements are an integral part of these statements.

WELCOME HOME, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Program	Management and General	Fundraising	Total
Payroll and related benefits and taxes	\$ 995,110	\$ 126,389	\$ 148,892	\$ 1,270,391
Depreciation expense	141,515	2,945	2,945	147,405
Client assistance	113,752	-	-	113,752
Supplies and equipment	75,021	-	2,350	77,371
Client meals and food	73,812	-	-	73,812
Professional fees	41,184	31,167	738	73,089
Fundraising events	-	21,185	40,447	61,632
Utilities	58,235	-	1,739	59,974
Insurance	27,957	7,373	2,731	38,061
Office expense	25,297	4,657	6,124	36,078
Maintenance and security	28,717	50	-	28,767
Training	10,118	5,761	1,354	17,233
Travel and transportation	9,968	-	-	9,968
Miscellaneous	883	2,827	4,839	8,549
Advertising	2,418	230	3,644	6,292
Dues and subscriptions	-	1,284	285	1,569
Total	\$ 1,603,987	\$ 203,868	\$ 216,088	\$ 2,023,943

The notes to the financial statements are an integral part of these statements.

WELCOME HOME, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 22,401	\$ 756,889
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	134,042	147,405
Investment return	64,531	(1,278)
(Increase) decrease in assets and increase (decrease) in liabilities:		
Grants receivable	(48,880)	(245,208)
Inventory	30,673	(45,656)
Prepaid expenses	(1,086)	1,002
Accounts payable	(2,920)	(1,753)
Accrued liabilities	10,269	8,631
Net cash provided by operating activities	209,030	620,032
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(18,181)	(66,448)
Purchases of investments	-	(585,026)
Sales of investments	81	11,377
Net cash used by investing activities	(18,100)	(640,097)
Net change in cash and cash equivalents	190,930	(20,065)
Cash and cash equivalents, beginning of year	402,017	422,082
Cash and cash equivalents, end of year	\$ 592,947	\$ 402,017
NON-CASH INVESTING ACTIVITIES:		
Purchases of property and equipment via accounts payable	\$ 111,034	\$ -

The notes to the financial statements are an integral part of these statements.

WELCOME HOME, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Welcome Home, Inc. (the Organization) was organized in Missouri in 1985 and works to provide at-risk veterans with temporary housing, programs and services, leading them to independence.

Basis of accounting: The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when the Organization satisfies a performance obligation by transferring a promised good or service to the customer, and expenses are recognized when incurred.

Financial statement presentation: The Organization reports information regarding its financial position and activities according to two classes of net assets:

Without donor restrictions: Net assets available for use in general operations and not subject to donor- (or certain grantor-) restrictions.

With donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization had net assets with donor restrictions totaling \$220,866 and \$226,900 as of December 31, 2022 and 2021, respectively.

Use of estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and cash equivalents: For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization maintains cash balances at established financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation, subject to certain limitations. At various times during the year, the Organization's balances on deposit may exceed the dollar limitations.

Investments: Investments with readily determinable market values are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value represents the estimated market value of the underlying securities and is generally obtained from the Organization's investment custodian, who obtains quoted market prices and dealer quotes.

Investments are exposed to various risks, such as interest rates, market, and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in their values, it is at least reasonably possible that changes in risks in the near term would materially affect the investment balances reported in the financial statements.

Grants receivable: As of December 31, 2022 and 2021, all of the Organization's receivables are considered fully collectible. No allowance for doubtful accounts has been recorded.

The balances of grants receivable totaled \$294,518; \$245,638; and \$199,982; at December 31, 2022; 2021; and 2020; respectively.

Inventory: Inventory consists of knives donated to the Organization during the year ended December 31, 2021, that were still on hand as of December 31, 2022. The knives were recorded at fair value at the date of donation.

Property and equipment: Property and equipment are recorded at cost. Property and equipment are depreciated over their estimated useful lives using the straight-line method and are presented net of accumulated depreciation in the statements of financial position. Major renewals and improvements that significantly add to the productive capacity or extend the life of an asset are capitalized. Repairs and maintenance that do not improve or extend the life of the respective assets are expensed in the year incurred. The Organization maintains a capitalization policy whereby the purchase of property and equipment below \$3,000 is expensed as incurred.

Revenue recognition: The Company's revenues include contractual billings to third parties for services provided under specific contracts. Revenue is recognized in an amount expected to be received in exchange for the services provided based upon contractual obligations. Receipt of payment for services is generally received within 30-days of billing. The Organization has elected a practical expedient to not account for any significant financing components.

Variable consideration, such as adjustments based on the actual number of bed days during the month, is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Amounts of variable consideration are estimated based upon historical experience and known trends.

Donated services and in-kind contributions: Volunteers contribute significant amounts of time to program services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization benefited from in-kind donations of contributed goods totaling \$68,627 and \$289,878 during the years ended December 31, 2022 and 2021, respectively.

Functional expenses: The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes: The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3). However, any income from certain activities not directly related to the Organization's tax-exempt purpose would be subject to taxation as unrelated business income. The Organization's Form 990 and taxable status are subject to examination by the Internal Revenue Service. Interest and penalties incurred, if any, related to the annual Form 990 or unrelated business income tax filings are reported within management and general expenses in the statement of activities.

Subsequent events: Events that have occurred subsequent to December 31, 2022 have been evaluated through June 16, 2023, which is the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following, as of December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 592,947	\$ 402,017
Less: cash and cash equivalents with donor restrictions	<u>(220,866)</u>	<u>(226,900)</u>
Total	<u>\$ 372,081</u>	<u>\$ 175,117</u>

The Organization's investments were Board designated as of December 31, 2022; however, they could be used for general expenditure as approved by the Board of Directors.

In addition, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources

3. INVESTMENTS

Investments consist of the following as of December 31:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 17,266	\$ 17,266	\$ 325,287	\$ 325,287
Common stock	116,885	122,310	34,449	34,491
Mutual funds - equity	286,145	254,706	100,512	103,391
Mutual funds - fixed income	298,043	289,375	323,329	318,379
Mutual funds - real assets	35,371	35,860	17,287	17,740
Mutual funds - alternatives	43,862	43,009	27,936	27,850
Total	<u>\$ 797,572</u>	<u>\$ 762,526</u>	<u>\$ 828,800</u>	<u>\$ 827,138</u>

I

Investment return, net consists of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Dividends, net of investment fees	\$ 10,754	\$ 7,688
Realized losses	(42,485)	(4,503)
Unrealized losses	<u>(32,800)</u>	<u>(1,907)</u>
Total	<u>\$ (64,531)</u>	<u>\$ 1,278</u>

Fair Value Disclosures – Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a fair value hierarchy is used that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value hierarchy is as follows:

- Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The following is a description of valuation methodologies used for assets disclosed at fair value.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table presents the Organization's assets measured at fair value on a recurring basis as of December 31, 2022, aggregated by the level in the fair value hierarchy within which those measurements fall:

2022	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 17,266	\$ -	\$ -	\$ 17,266
Common stock	122,310	-	-	122,310
Mutual funds - equity	254,706	-	-	254,706
Mutual funds - fixed income	289,375	-	-	289,375
Mutual funds - real assets	35,860	-	-	35,860
Mutual funds - alternatives	43,009	-	-	43,009
Total	<u>\$ 762,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 762,526</u>
2021	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 325,287	\$ -	\$ -	\$ 325,287
Common stock	34,491	-	-	34,491
Mutual funds - equity	103,391	-	-	103,391
Mutual funds - fixed income	318,379	-	-	318,379
Mutual funds - real assets	17,740	-	-	17,740
Mutual funds - alternatives	27,850	-	-	27,850
Total	<u>\$ 827,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 827,138</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 3,167,977	\$ 3,167,977
Furniture and equipment	420,413	402,232
Land	125,739	125,739
Construction in progress	<u>111,034</u>	<u>-</u>
Total	3,825,163	3,695,948
Less accumulated depreciation	<u>(753,041)</u>	<u>(618,999)</u>
Property and equipment, net	<u><u>\$ 3,072,122</u></u>	<u><u>\$ 3,076,949</u></u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$134,042 and \$147,405, respectively.

5. NET ASSETS

Net assets without donor restrictions were comprised of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 660,401	\$ 562,527
Board designated investments	762,526	827,138
Invested in property and equipment	<u>3,072,122</u>	<u>3,076,949</u>
Total net assets without donor restrictions	<u><u>\$ 4,495,049</u></u>	<u><u>\$ 4,466,614</u></u>

Net assets with donor restrictions were restricted for the following purposes as of December 31:

	<u>2022</u>	<u>2021</u>
ADA compliance and beautification grant	<u>\$ 220,866</u>	<u>\$ 226,900</u>
Total net assets with donor restrictions	<u><u>\$ 220,866</u></u>	<u><u>\$ 226,900</u></u>

Net assets are released from donor restrictions by incurring expenses satisfying the donors' stipulated purposes or occurrence of other events specified by donors. Net assets with donor restrictions were reclassified to net assets without donor restrictions in the accompanying statement of activities as follows:

	<u>2022</u>	<u>2021</u>
ADA compliance and beautification grant expenditures	\$ 6,034	\$ 59,100
General grant expenditures	<u>-</u>	<u>175,000</u>
Total net assets released from restrictions	<u><u>\$ 6,034</u></u>	<u><u>\$ 234,100</u></u>

6. RETIREMENT PLAN

The Organization participates in a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) Individual Retirement Account (IRA) plan. The plan allows eligible employees to make contributions up to the maximum amount allowed by law, and the Organization makes matching contributions up to 3% of the employee's eligible compensation. Matching contributions under the plan were \$12,279 and \$8,522 for the years ended December 31, 2022 and 2021, respectively.