

HOMEWORD
Financial Statements
(with Independent Auditors' Report Thereon)
June 30, 2021

HOMESWORD
Financial Statements

June 30, 2021

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Board of Directors
HomeWord
San Juan Capistrano, California

INDEPENDENT AUDITORS' REPORT

Report on Financial Statements

We have audited the accompanying financial statements of HomeWord (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Managements' 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.

Auditors' 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 of 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 HomeWord as of June 30, 2021, 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.

Board of Directors
HomeWord
San Juan Capistrano, California
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Report on Summarized Comparative Information

The financial statements of HomeWord as of June 30, 2020, were audited by other auditors whose report dated December 15, 2020, expressed an unmodified opinion on those statements.

Gruber and Lopez, Inc.

Gruber and Lopez, Inc.
Newport Beach, CA
August 23, 2021

HOMEWORD
Statement of Financial Position
June 30, 2021
(with comparative totals as of June 30, 2020)

| | 2021 | 2020 |
|--|-------------|-------------|
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 485,584 | 387,230 |
| Accounts receivable | 9,713 | 8,794 |
| Inventory | 18,359 | 21,935 |
| Prepaid and other assets | 15,443 | 52,150 |
| Property - furniture and equipment, net (Note 3) | 6,103 | 6,854 |
| Total assets | \$ 535,202 | 476,963 |
| <u>Liabilities and Net Assets</u> | | |
| Accounts payable | \$ 10,263 | 131,333 |
| Accrued liabilities | 26,423 | 10,539 |
| Accrued vacation | 13,032 | 832 |
| SBA loan payable | - | 24,356 |
| Unearned revenue | 18,950 | 32,355 |
| Total liabilities | 68,668 | 199,415 |
| Net assets (Note 5): | | |
| With donor restrictions | 104,930 | 116,668 |
| Without donor restrictions - undesignated | 361,604 | 160,880 |
| Total net assets | 466,534 | 277,548 |
| Total liabilities and net assets | \$ 535,202 | 476,963 |

See accompanying notes to financial statements.

HOMEWORD
Statement of Activities
Year Ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

| | Without Donor | With Donor | Total | |
|---|-------------------|------------------|------------------|------------------|
| | Restrictions | Restrictions | 2021 | 2020 |
| Operating activities: | | | | |
| Revenues and other support: | | | | |
| Contributions-individuals and others | 718,900 | - | 718,900 | 848,855 |
| Contributions-ministry and projects | 18,595 | 120,340 | 138,935 | 162,113 |
| Special events, net: | | | | |
| Annual Benefit (gross \$257,690 less direct expenses of \$27,512) | 230,178 | - | 230,178 | 101,919 |
| Product sales | 61,404 | - | 61,404 | 86,421 |
| Seminars and conference fees | 21,950 | - | 21,950 | 77,615 |
| Forgiveness of debt - SBA loan (Note 4) | 24,356 | - | 24,356 | - |
| Other ministry support | 402 | - | 402 | 5,293 |
| Interest income | 42 | - | 42 | - |
| Subtotal | <u>1,075,827</u> | <u>120,340</u> | <u>1,196,167</u> | <u>1,282,216</u> |
| Net assets released from restrictions (Note 5) | <u>132,078</u> | <u>(132,078)</u> | <u>-</u> | <u>-</u> |
| Total revenues and other support | <u>1,207,905</u> | <u>(11,738)</u> | <u>1,196,167</u> | <u>1,282,216</u> |
| Expenses: | | | | |
| Program services | <u>817,346</u> | <u>-</u> | <u>817,346</u> | <u>1,017,414</u> |
| Supporting services: | | | | |
| General and administrative | 85,022 | - | 85,022 | 224,139 |
| Fundraising | <u>104,813</u> | <u>-</u> | <u>104,813</u> | <u>117,271</u> |
| Subtotal supporting services | <u>189,835</u> | <u>-</u> | <u>189,835</u> | <u>341,410</u> |
| Total expenses | <u>1,007,181</u> | <u>-</u> | <u>1,007,181</u> | <u>1,358,824</u> |
| Change in net assets from operations | <u>200,724</u> | <u>(11,738)</u> | <u>188,986</u> | <u>(76,608)</u> |
| Non-operating activities: | | | | |
| Investment income (loss) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total non-operating activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in net assets | 200,724 | (11,738) | 188,986 | (76,608) |
| Net assets at beginning of year | <u>160,880</u> | <u>116,668</u> | <u>277,548</u> | <u>354,156</u> |
| Net assets at end of year | <u>\$ 361,604</u> | <u>104,930</u> | <u>466,534</u> | <u>277,548</u> |

See accompanying notes to financial statements.

HOMWORD
Statement of Functional Expenses
Year Ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

| | Supporting Services | | | Total | | |
|---|---------------------|-------------------------------|-----------------|-----------------|------------------|------------------|
| | Program | General and Administrative | Fundraising | Subtotal | 2021 | 2020 |
| Salaries and related expenses: | | | | | | |
| Salaries | \$ 279,803 | 46,634 | 6,662 | 53,296 | 333,099 | 537,898 |
| Payroll taxes | 12,746 | 2,124 | 303 | 2,428 | 15,174 | 22,265 |
| Employee benefits | 65,046 | 10,841 | 1,549 | 12,390 | 77,436 | 60,175 |
| Total salaries and related expenses | <u>357,596</u> | <u>59,599</u> | <u>8,514</u> | <u>68,113</u> | <u>425,709</u> | <u>620,338</u> |
| Other expenses: | | | | | | |
| Advertising and website development | - | - | 8,319 | 8,319 | 8,319 | 28,837 |
| Annual benefit costs | - | - | 27,512 | 27,512 | 27,512 | 91,936 |
| Conferences, trainings and meetings | 71,504 | - | - | - | 71,504 | 28,181 |
| Consultants and contractors | 143,518 | - | 35,880 | 35,880 | 179,398 | 94,605 |
| Cost of goods sold | 40,168 | - | - | - | 40,168 | 65,211 |
| Donor development | 48,469 | - | 48,469 | 48,469 | 96,937 | 276,562 |
| Equipment and software rental | 11,898 | 1,983 | 283 | 2,266 | 14,164 | 16,679 |
| Information technology | 2,551 | 425 | 61 | 486 | 3,037 | 14,308 |
| Insurance | 10,397 | 1,733 | 248 | 1,980 | 12,377 | 12,311 |
| Occupancy | 31,316 | 5,219 | 746 | 5,965 | 37,281 | 43,379 |
| Other expenses | 2,935 | 489 | 70 | 559 | 3,494 | 16,095 |
| Postage and shipping | 2,151 | 359 | 51 | 410 | 2,561 | 5,924 |
| Printing and publications | 6,241 | 1,040 | 149 | 1,189 | 7,430 | 9,276 |
| Professional services | 62,496 | 10,416 | 1,488 | 11,904 | 74,400 | 86,297 |
| Program and office supplies | 4,004 | 667 | 95 | 763 | 4,767 | 4,105 |
| Repairs and maintenance | 515 | 86 | 12 | 98 | 613 | 1,626 |
| Resources | 3,557 | - | - | - | 3,557 | 14,067 |
| Telephone and communications | 14,892 | 2,482 | 355 | 2,836 | 17,728 | 15,790 |
| Transportation and travel | 1,194 | 199 | 28 | 227 | 1,421 | 3,040 |
| Total other expenses | <u>457,805</u> | <u>25,098</u> | <u>123,765</u> | <u>148,863</u> | <u>606,668</u> | <u>828,229</u> |
| Total expenses before depreciation | <u>815,401</u> | <u>84,697</u> | <u>132,279</u> | <u>216,976</u> | <u>1,032,377</u> | <u>1,448,567</u> |
| Depreciation (Note 3) | <u>1,945</u> | <u>324</u> | <u>46</u> | <u>371</u> | <u>2,316</u> | <u>2,193</u> |
| Total expenses | <u>\$ 817,346</u> | <u>85,022</u> | <u>132,325</u> | <u>217,347</u> | <u>1,034,693</u> | <u>1,450,760</u> |
| Less expenses included in statement of activities | <u>\$ -</u> | <u>-</u> | <u>(27,512)</u> | <u>(27,512)</u> | <u>(27,512)</u> | <u>(91,936)</u> |
| Total expenses per statement of activities | <u>\$ 817,346</u> | <u>85,022</u> | <u>104,813</u> | <u>189,835</u> | <u>1,007,181</u> | <u>1,358,824</u> |

See accompanying notes to financial statements.

HOMESWORD
Statement of Cash Flows
Year Ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-----------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 188,986 | (76,608) |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities: | | |
| Depreciation | 2,316 | 2,193 |
| Forgiveness of debt - SBA loan | (24,356) | - |
| Decrease (increase) in accounts receivable | (919) | (4,997) |
| Decrease (increase) in inventory | 3,576 | 6,220 |
| Decrease (increase) in prepaid and other assets | 36,707 | (22,941) |
| (Decrease) increase in account payable | (121,070) | 2,469 |
| (Decrease) increase in accrued liabilities | 15,884 | 4,335 |
| (Decrease) increase in accrued vacation | 12,200 | 832 |
| (Decrease) increase in unearned revenue | <u>(13,405)</u> | <u>15,783</u> |
| Net cash provided by (used for) operating activities | <u>99,919</u> | <u>(72,714)</u> |
| Cash flows from investing activities: | | |
| Acquisition of property, furniture and equipment | <u>(1,565)</u> | <u>(4,691)</u> |
| Net cash provided by (used for) investing activities | <u>(1,565)</u> | <u>(4,691)</u> |
| Cash flows from financing activities: | | |
| Proceeds from issuance of SBA loan | <u>-</u> | <u>24,356</u> |
| Net cash provided by (used for) financing activities | <u>-</u> | <u>24,356</u> |
| Increase (decrease) in cash and cash equivalents | 98,354 | (53,049) |
| Cash and cash equivalents at beginning of year | <u>387,230</u> | <u>440,279</u> |
| Cash and cash equivalents at end of year | <u>\$ 485,584</u> | <u>387,230</u> |
| <u>Supplemental disclosure of cash flow information:</u> | | |
| Cash paid for interest expense | <u>\$ -</u> | <u>-</u> |

There were no non-cash investing or financing activities for the year ended June 30, 2021

See accompanying notes to financial statements.

HOMWORD

Notes to the Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

The significant accounting policies of HomeWord are presented to assist in the understanding of HomeWord's financial statements. The financial statements and notes are representations of HomeWord's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

(a) Organization and Accomplishments

HomeWord (the "Organization") was established in 1985 and its principal activities are advancing the work of God throughout the world by educating, equipping and encouraging parents and churches to build God-honoring families from generation to generation primarily through radio broadcasts, website, publications, seminars and events.

(b) Basis of Accounting and Revenue Recognition

HOMWORD uses the accrual basis of accounting. Under this method of accounting, revenue is recognized when each performance obligation is satisfied and expenses are recognized when incurred.

(c) Financial Statement Presentation

In accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Update (ASU) 2016-14 Not for Profit Entities [Topic 958]- Presentation of Financial Statements of Not-For Profit Entities*, HomeWord is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of HomeWord's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of HomeWord or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

HOMWORD

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(d) Cash and Cash Equivalents and Concentration of Credit Risk

For purposes of the statement of cash flows, HomeWord considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents. HomeWord maintains cash deposits with its financial institutions that at times exceed amounts covered by the insurance provided by the Federal Deposit Insurance Corporation (FDIC). HomeWord also actively evaluates the credit worthiness of the institutions with which it invests.

(e) Property - Furniture and Equipment

It is HomeWord's policy to capitalize long-lived assets over \$1,000 and a useful life of three years or longer. Lesser amounts are expensed. Property, furniture and equipment are capitalized at cost. Office furniture and equipment are depreciated on the straight-line method, using estimated useful lives of 5 years. Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. Website maintenance costs are expensed as incurred.

(f) Impairment of Long-Lived Assets

HomeWord evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash-flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

(g) Accounts Receivable

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is generally estimated on the basis of historical collection trends and the age of outstanding receivables. All accounts receivable is unsecured, non-interest bearing and become delinquent after one year.

If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances, and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. As of June 30, 2021, the Organization had no allowance accrued.

HOMWORD

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(h) Fair Value of Financial Instruments

HomeWord follows guidance issued by the ASC 820 *Fair Value Measurements*, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. This guidance establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair values into Levels 1, 2, and 3.

Level 1 inputs consist of unadjusted quoted prices in active markets for identical instruments and have the highest priority. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable. Level 3 inputs are unobservable and are given the lowest priority.

HomeWord's financial instruments, including cash and cash equivalents, contribution and accounts receivables, accounts payable and other accrued expenses are carried at cost, which approximates fair value because of the short-term nature of these instruments.

(i) Contribution Revenue and Support

In accordance with ASC 958, contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Grant contract funds are categorized as conditional contributions and are recognized when the condition is met (i.e. when the funds are spent on allowable costs and/ or the service is performed).

(j) Inventory

Inventory is stated at the lower of cost (first-in, first-out) or net realizable value. Inventory consists of finished goods exclusively, primarily of books, DVDs, CDs and supplies.

HOMWORD

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(k) Functional Expense Allocations

Costs of providing HomeWord's programs and other activities have been presented in the statement of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

| <u>Expense</u> | <u>Method of Allocation</u> |
|-----------------------------------|-----------------------------|
| Salaries, benefits, payroll taxes | Time and effort |
| Consultants | Time and effort |
| Donor development | Time and effort |
| Equipment, software & IT | Time and effort |
| Professional services | Time and effort |
| Printing and postage | Time and effort |
| Occupancy & related utilities | Time and effort |
| Insurance | Time and effort |
| Supplies | Time and effort |
| Transportation & travel | Time and effort |

(l) Accrued Vacation

HomeWord's policy is to record accumulated vacation when earned. As of June 30, 2021, the accrued vacation liability was \$13,032.

(m) Income Taxes

HomeWord is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and files all federal and state information returns required by law. The HomeWord's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending in years 2020, 2019, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

(n) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

HOMWORD

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(o) Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the contributions are received. Discount amortization is included in contribution revenue.

(p) Advertising and Website

Advertising costs are expensed as incurred. During the year ended June 30, 2021, HomeWord incurred \$8,319 of advertising and website costs.

(q) Recent Accounting Pronouncements

HomeWord adopted ASU 2018-08 *Contributions Received and Made* in fiscal year 2019 and has adjusted the presentation of these statements accordingly in order to more consistently record revenue recognition from resource providers. In the past, it was common for non-profit organizations to classify grant revenue as exchange transactions, however, under the new guidance of ASU 2018-08 most organizations have reclassified the majority of its grant revenue as contributions. In 2019, HomeWord had also elected to use the modified prospective basis in adopting the change.

(r) Donated Services and Supplies

Significant services and supplies are donated to HomeWord by various individuals, corporations and other organizations, and are reflected in the accompanying financial statements at their fair values at the date of donation. Donations of services are only recognized if the services received: (1) create or enhance nonfinancial assets or require specialized skills; (2) are provided by individuals possessing those skills; and (3) would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis for deriving their value.

During the year ended June 30, 2021, HomeWord did not recognize any donated services or supplies. In addition, a significant portion of the HomeWord 's functions and programs are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills.

HOMWORD

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(s) Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with HomeWord's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

(t) Reclassifications

For comparability purposes, certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 classifications. These reclassifications have no effect on reported change in net assets.

(u) Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to HomeWord's ongoing program services and interest and deposits. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

(v) Unearned Revenue

Seminar income attributable to future events are included are included in cash and cash equivalents and reflected as unearned revenue until the event has occurred, at which time the revenue will be earned.

(w) Product Sales Revenue Recognition

Revenue from the sale of products is recognized when persuasive evidence of the arrangement exists, delivery and performance has occurred, the price is fixed and determinable and collectivity is probable. Generally, these criteria are met at the time delivery has occurred. The Organization provides for estimated customer returns and allowances by reducing sales in the period that the sale occurs. The Organization's obligations for customer returns, refunds and warranties are not material and accordingly related disclosures are not provided.

(x) Program Services Fees

Charges to customers for shipping costs are included in revenues and the related cost is included in program services expenses.

HOMWORD

Notes to the Financial Statements

(Continued)

(2) Contributions Receivable

Contributions receivable generally consist of pledges due from individuals, foundations, and corporations. At June 30, 2021, there were no contributions receivable.

(3) Property, Furniture and Equipment

Property, furniture and equipment consist of the following at June 30, 2021:

| | |
|--------------------------------|------------------|
| Office furniture and equipment | \$ 29,339 |
| Computer equipment | 65,087 |
| Computer software | <u>169,641</u> |
| Total | 264,067 |
| Less: Accumulated depreciation | <u>(257,964)</u> |
| | <u>\$ 6,103</u> |

Depreciation expense for the year ended June 30, 2021 was \$2,316.

(4) SBA Loan - Payroll Protection Program

In March 2020, Congress passed the Paycheck Protection Program (PPP), authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities and interest on mortgages. Loans obtained through the PPP are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met.

In May 2020, HomeWord received a loan in the amount of \$23,356 through the PPP. To the extent it is not forgiven, HomeWord would be required to repay that portion at an interest rate of 1% over a period of two years, beginning March 2021, with a final installment in May 2022.

As of June 30, 2021, the Organization has spent \$23,356 of the PPP loan on qualifying costs and has chosen to recognize the loan as forgiven, recognizing the forgiveness of debt as revenue in the accompanying *statement of activities*. Final approval of the loan forgiveness was granted by the Small Business Administration in April 2021.

HOMWORD

Notes to the Financial Statements

(Continued)

(5) Net Assets

During the year ended June 30, 2021, \$132,078 of net assets were released from net assets with donor restrictions as follows.

| <u>Specific Purpose:</u> | <u>Donor Restricted Net Assets- Beginning of Year</u> | <u>Donor Restricted Revenues</u> | <u>Released From Restriction</u> | <u>Donor Restricted Net Assets- End of Year</u> |
|--------------------------|---|--|--|---|
| Ministry and projects | <u>\$116,668</u> | <u>120,340</u> | <u>(132,078)</u> | <u>104,930</u> |

(6) Commitments

The Organization is leasing their corporate office facilities through an agreement that is set to expire in April 2023. The monthly lease payments are approximately \$3,400. The Organization also leases office equipment under two noncancelable operating leases. The agreements call for monthly payments ranging from \$164 to \$481, plus applicable taxes, and expiring through August 2022. The expected future minimum lease payments over the terms of the aforementioned leases are as follows:

Year ending June 30:

| | |
|-------------------------------------|------------------|
| 2022 | \$ 48,579 |
| 2023 | <u>35,092</u> |
| Total future minimum lease payments | <u>\$ 83,671</u> |

(7) Contingencies

HomeWord is also subject to legal proceedings, claims, and assessments which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions, should they occur, will not materially affect the HomeWord's financial statements.

HOMWORD

Notes to the Financial Statements

(Continued)

(8) Availability and Liquidity

The following represents HomeWord's financial assets at June 30, 2021:

Financial assets at year end:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$485,584 |
| Accounts receivable | 9,713 |
| Prepaid and other assets | <u>15,443</u> |
| Total financial assets | <u>510,740</u> |

Less amounts not available
to be used within 1 year:

| | |
|--|------------------|
| Net assets with donor restrictions | 104,930 |
| Less net assets with purpose restrictions to be met within one year | <u>(104,930)</u> |
| Subtotal | <u>-</u> |

| | |
|--|------------------|
| Financial assets available to meet general expenses over the next 12 months: | <u>\$510,740</u> |
|--|------------------|

HomeWord's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$250,000). As part of its liquidity plan, excess cash is invested in only deposits.

(9) Subsequent Events

The Organization's operations may be affected by the recent and ongoing outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, possible effects may include, but are not limited to, a reduction in contributions and product sales which could have an impact on their operating results. There is uncertainty as to the severity and longevity of the outbreak and management is in the process of evaluating the impact on the organization and its financial statements. However, management believes the pandemic will not have a material effect on its operations due to certain operational changes made by HomeWord in response to the global pandemic and receipt of the PPP funding described above. Hence, no corresponding adjustment has been made to these financial statements.

Management has evaluated subsequent events through August 23, 2021, the date the financial statements were available to be issued.