

THE ROAD HOME DANE COUNTY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Road Home Dane County, Inc.
Madison, Wisconsin

We have audited the accompanying consolidated financial statements of The Road Home Dane County, Inc., which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 audits. We conducted our audits 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Road Home Dane County, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Wegner CPAs, LLP
Madison, Wisconsin
May 24, 2021

THE ROAD HOME DANE COUNTY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,140,315	\$ 1,982,157
Certificate of deposit	146,691	-
Government grants receivable	24,926	100,286
Rent and miscellaneous receivables	19,070	30,884
Unconditional promises to give, net (Note 3)	570,902	566,934
Prepaid expenses	43,821	45,081
Total current assets	1,945,725	2,725,342
OTHER ASSETS		
Certificate of deposit	-	146,178
Security deposit	11,312	10,762
Replacement reserve	69,982	104,598
Unconditional promises to give, net (Note 3)	374,654	519,878
Investments held for board sustainability fund (Note 2)	2,772,577	1,270,751
Property and equipment, net (Note 4)	1,152,459	1,189,885
Property and equipment held for leasing, net (Note 4)	2,089,444	2,094,538
Beneficial interest in assets held by Madison Community Foundation (Note 5)	2,610,871	2,522,487
Total assets	\$ 11,027,024	\$ 10,584,419
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 39,787	\$ 23,339
Funds held for others	433	-
Refundable advance (Note 6)	3,670	-
Accrued payroll, taxes, and vacation	106,213	76,928
Current portion of notes payable (Note 7)	11,422	10,976
Total current liabilities	161,525	111,243
Notes payable less current portion (Note 7)	986,248	997,386
Total liabilities	1,147,773	1,108,629
NET ASSETS		
Without donor restrictions (Note 8)	8,840,525	8,104,300
With donor restrictions (Note 8)	1,038,726	1,371,490
Total net assets	9,879,251	9,475,790
Total liabilities and net assets	\$ 11,027,024	\$ 10,584,419

See accompanying notes.

THE ROAD HOME DANE COUNTY, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2020 and 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Contributions		
Individuals, businesses, and organizations	\$ 1,283,318	\$ 2,372,495
Paycheck Protection Program	263,600	-
Government grants	205,944	298,646
Other grants	175,028	155,563
In-kind	42,331	56,415
Change in value of beneficial interest in assets held by		
Madison Community Foundation	169,996	326,840
Investment return, net	257,223	160,092
Rent	104,879	111,075
Miscellaneous	1,202	3,547
Total revenues without donor restrictions	2,503,521	3,484,673
EXPENSES		
Program services		
Healing House	19,045	11,078
Second Chance Apartment Project	175,704	176,081
Housing Stabilization	79,275	98,111
House-Ability	142,297	138,699
Foundations	10,937	-
Tree Lane	-	136,328
Rapid Rehousing	175,802	198,118
Moving Up	59,948	44,511
Housing and Hope	506,806	585,357
RISE	108,611	89,150
Fair Oaks	62,788	-
The Breese Apartments	151,504	120,441
MVP	66,377	-
The Heart Room	66,436	83,733
Supporting activities		
Management and general	445,074	353,058
Fundraising	334,986	260,032
Total expenses	2,405,590	2,294,697
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	140,228	201,885
Expiration of time restrictions	498,066	272,773
Total net assets released from restrictions	638,294	474,658
Change in net assets without donor restrictions	736,225	1,664,634
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	305,530	437,054
Net assets released from restrictions	(638,294)	(474,658)
Change in net assets with donor restrictions	(332,764)	(37,604)
Change in net assets	403,461	1,627,030
Net assets at beginning of year	9,475,790	7,848,760
Net assets at end of year	<u>\$ 9,879,251</u>	<u>\$ 9,475,790</u>

See accompanying notes.

THE ROAD HOME DANE COUNTY, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Program Services						
	Healing House	Second Chance Apartment Project	Housing Stabilization	House- Ability	Foundations	Rapid Rehousing	Moving Up
Personnel	\$ 16,282	\$ 96,450	\$ 61,758	\$ 108,214	\$ 9,600	\$ 140,711	\$ 53,987
Occupancy	907	7,545	6,696	7,396	441	8,347	1,456
Interest and bank fees	-	-	-	-	-	-	-
Insurance	280	2,167	990	1,985	118	3,152	952
Travel and meetings	-	75	-	-	-	-	-
Vehicle	161	1,018	68	1,484	141	2,723	336
Telephone	68	531	242	928	29	772	223
Office supplies	20	1,036	1,016	518	20	316	20
Professional fees	-	-	-	-	-	-	-
Postage and printing	-	-	-	-	-	11	-
Dues and memberships	-	-	-	-	-	-	-
Direct assistance	768	53,544	5,674	17,575	338	13,939	1,475
Subcontractors	-	8,885	-	-	-	-	-
Bad debt	-	-	-	-	-	-	-
Events	-	-	-	-	-	-	-
Depreciation	336	2,600	1,187	2,381	142	3,781	1,142
In-kind storage	223	1,853	1,644	1,816	108	2,050	357
Total expenses	<u>\$ 19,045</u>	<u>\$ 175,704</u>	<u>\$ 79,275</u>	<u>\$ 142,297</u>	<u>\$ 10,937</u>	<u>\$ 175,802</u>	<u>\$ 59,948</u>

See accompanying notes.

THE ROAD HOME DANE COUNTY, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

Program Services						Supporting Activities		Total Expenses
Housing and Hope	RISE	Fair Oaks	The Breese Apartments	MVP	The Heart Room	Management and General	Fundraising	
\$ 200,313	\$ 81,370	\$ 52,640	\$ 135,502	\$ 51,585	\$ 37,156	\$ 275,355	\$ 202,816	\$ 1,523,739
121,298	1,749	1,671	2,722	3,060	1,868	5,171	2,043	172,370
-	-	-	-	-	-	16,171	3,251	19,422
6,725	1,312	1,216	2,507	2,921	1,457	6,342	2,259	34,383
-	8	-	-	-	-	118	158	359
716	764	336	371	116	225	1,141	23	9,623
867	321	298	614	664	357	1,665	553	8,132
2,052	20	1,464	371	2,278	508	29,121	2,792	41,552
46,285	-	-	-	-	-	43,600	33,937	123,822
15	-	-	-	-	-	9,093	12,263	21,382
-	-	-	-	-	-	2,243	1,835	4,078
6,309	21,063	3,295	5,741	1,497	22,657	35,033	58,914	247,822
-	-	-	-	-	-	-	-	8,885
-	-	-	-	-	-	11,142	-	11,142
-	-	-	-	-	-	-	10,930	10,930
92,437	1,574	1,458	3,007	3,504	1,749	7,609	2,710	125,617
29,789	430	410	669	752	459	1,270	502	42,332
<u>\$ 506,806</u>	<u>\$ 108,611</u>	<u>\$ 62,788</u>	<u>\$ 151,504</u>	<u>\$ 66,377</u>	<u>\$ 66,436</u>	<u>\$ 445,074</u>	<u>\$ 334,986</u>	<u>\$ 2,405,590</u>

See accompanying notes.

THE ROAD HOME DANE COUNTY, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services						
	Healing House	Second Chance Apartment Project	Housing Stabilization	House- Ability	Tree Lane	Rapid Rehousing	Moving Up
Personnel	\$ 8,014	\$ 82,315	\$ 75,288	\$ 110,647	\$ 101,674	\$ 153,172	\$ 36,634
Occupancy	67	931	750	1,955	1,500	2,658	609
Interest	54	746	601	1,567	1,202	2,131	488
Insurance	98	1,357	1,093	2,850	2,186	3,875	888
Travel and meetings	-	-	-	-	-	-	307
Vehicle	96	3,391	1,525	3,206	2,126	3,767	609
Telephone	15	208	168	437	335	595	136
Office supplies	-	-	-	53	27	-	642
Professional fees	-	-	-	-	-	-	-
Postage and printing	-	-	-	-	-	-	-
Dues and memberships	-	-	-	-	-	410	-
Program supplies	1,244	62,410	7,631	4,664	23,096	16,869	1,689
Meridian	-	-	-	-	-	-	-
Direct assistance	-	13,327	-	-	-	-	-
Bad debt	-	-	-	-	-	-	-
Events	-	-	-	-	-	-	-
Subcontractors	-	-	-	-	-	-	-
Depreciation	126	1,749	1,409	3,674	2,818	4,995	1,145
In-kind storage and supplies	1,364	9,647	9,646	9,646	1,364	9,646	1,364
Total expenses	\$ 11,078	\$ 176,081	\$ 98,111	\$ 138,699	\$ 136,328	\$ 198,118	\$ 44,511

See accompanying notes.

THE ROAD HOME DANE COUNTY, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

Program Services				Supporting Activities		Total Expenses
Housing and Hope	RISE	The Breese Apartments	The Heart Room	Management and General	Fundraising	
\$ 245,754	\$ 78,778	\$ 93,294	\$ 41,522	\$ 214,047	\$ 176,839	\$ 1,417,978
3,636	951	1,614	549	3,661	1,205	20,086
2,914	762	1,293	440	2,936	966	16,100
7,437	1,386	2,352	800	5,338	1,757	31,417
595	-	-	122	8,127	308	9,459
3,216	1,118	996	819	1,854	216	22,939
816	213	361	123	3,448	286	7,141
470	642	-	-	23,654	22,880	48,368
-	-	-	-	43,405	16,800	60,205
-	-	-	-	11,303	9,638	20,941
-	-	36	-	348	71	865
25,965	2,149	16,099	36,962	5,995	300	205,073
194,292	-	-	-	-	-	194,292
-	-	-	-	-	-	13,327
-	-	-	-	20,748	-	20,748
-	-	-	-	-	26,501	26,501
-	-	-	-	1,313	-	1,313
90,616	1,787	3,032	1,032	6,881	2,265	121,529
9,646	1,364	1,364	1,364	-	-	56,415
<u>\$ 585,357</u>	<u>\$ 89,150</u>	<u>\$ 120,441</u>	<u>\$ 83,733</u>	<u>\$ 353,058</u>	<u>\$ 260,032</u>	<u>\$ 2,294,697</u>

See accompanying notes.

THE ROAD HOME DANE COUNTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 403,461	\$ 1,627,030
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Net realized and unrealized (gains) losses on investments	250,857	(132,953)
Bad debt	11,142	20,748
Depreciation	125,617	121,529
Change in value of beneficial interest in assets held by Madison Community Foundation	(169,996)	(326,840)
(Increase) decrease in assets		
Government grants receivable	75,360	(25,979)
Rent and miscellaneous receivables	11,814	16,531
Unconditional promises to give	130,114	148,878
Prepaid expenses	1,260	(8,823)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	16,448	(17,456)
Funds held for others	433	-
Refundable advance	3,670	-
Accrued payroll, taxes, and vacation	29,285	9,274
Net cash flows from operating activities	889,465	1,431,939
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest retained in certificates of deposit	(513)	(365)
Purchases of investments	(1,708,501)	(275,000)
Interest retained in investments	(44,182)	(19,651)
Purchases of property and equipment	-	(10,303)
Purchases of property and equipment held for leasing	(83,097)	(68,416)
Distributions from beneficial interest in assets held by Madison Community Foundation	95,112	93,276
Additions to beneficial interest in assets held by Madison Community Foundation	(13,500)	(24,752)
Net cash flows from investing activities	(1,754,681)	(305,211)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(10,692)	(10,311)
Net change in cash and restricted cash	(875,908)	1,116,417
Cash and restricted cash at beginning of year	2,097,517	981,100
Cash and restricted cash at end of year	<u>\$ 1,221,609</u>	<u>\$ 2,097,517</u>

See accompanying notes.

THE ROAD HOME DANE COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Road Home Dane County, Inc. (The Road Home) is a not-for-profit organization founded in Madison, Wisconsin in 1999 to provide opportunities for homeless children and their families to achieve self-determined goals and affordable, stable housing.

Principles of Consolidation

The consolidated financial statements include the accounts of The Road Home and its wholly owned subsidiary, Housing and Hope, LLC. All material intra-entity transactions have been eliminated.

Government Grants Receivable

Government grants receivable represents amounts that have been billed under contracts for case management services provided by The Road Home. The Road Home considers government grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operation when that determination is made.

Rent and Miscellaneous Receivables

Rent and miscellaneous receivables primarily consist of rent due from tenants. Accounts are considered past due if payments are not received by the 5th day after the due date. Past due accounts are charged late fees. Case management staff, property management and tenants work together to create a payment plan. Interventions such as a protective payee are suggested. After all options, sometimes property management has to move forward with a nonrenewal or eviction. However, due to our mission and goal of trying to end family homelessness, this is an absolute last resort. Management writes off an account when all reasonable collection efforts have been exhausted. Tenant accounts receivable are secured by tenant security deposits, which may be applied to unpaid balances.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give are reported at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

THE ROAD HOME DANE COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments Held for Board Sustainability Fund

The Road Home reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

Beneficial Interest in Assets Held by Madison Community Foundation

The Road Home's beneficial interest in assets held by Madison Community Foundation represents an agreement between The Road Home and the Foundation in which The Road Home transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to The Road Home by the Foundation. Little information about those assets is released publicly. The estimated fair value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Property and Equipment

The Road Home capitalizes all expenditures for property and equipment in excess of \$1,500. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Government Grants

Certain programs of The Road Home are funded in part by government grants. Revenue from these grants is based upon the actual cost of providing services up to the maximum amount specified. Revenue is recognized when The Road Home has incurred expenditures in accordance with the grant requirements. Costs are allocated to these grants in accordance with established procedures and are subject to audit by various government agencies. No determination has been made regarding the effect, if any, such audits could have on the financial statements.

Paycheck Protection Program Loan

The Road Home recognizes amounts expected to be forgiven as revenue when it incurs qualifying expenses.

THE ROAD HOME DANE COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, occupancy, office supplies, and insurance, which are allocated on the basis of estimates of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

Healing House—Provides a safe place for families when someone needs to prepare for or recover from a medical procedure, childbirth, hospitalization or something similar. The eight-bed facility provides clients with three meals a day, childcare assistance and case management.

Second Chance Apartment Project—Creates supported transitional housing for young families through collaboration with the YWCA Madison and supporting organizations.

Housing Stabilization—Supports formerly homeless families in housing through case management, goal planning, and communication with landlords.

House-Ability—Housing subsidy and support services for families with an adult with a disability, provided in collaboration with the YWCA Madison and The Salvation Army.

Foundations—Provides scattered-site, permanent supportive housing (housing located throughout the community instead of in one apartment complex) to six families in our community who are chronically homeless. Foundations is primarily funded through HUD with The Road Home providing case management and administering the program. Families pay 30% of their income back into the program.

Tree Lane—45 units of affordable housing for families exiting homelessness. The Road Home provided interim support services at Tree Lane for six months in 2019 after the previous provider gave notice of termination, in order to allow for Heartland, the City of Madison and United Way to identify a new long-term provider.

Rapid Rehousing—Provides limited rental assistance and case management to move families quickly out of homelessness. A partnership program between The Road Home, The YWCA Madison, The Salvation Army and United Way of Dane County.

Moving Up—Provides families who have stabilized and no longer need such intense services with Section 8 vouchers, enabling them to move into other rental units where they will continue to receive some supportive services. This opens up permanent supportive housing units for families who are currently homeless.

Housing and Hope—Provides very affordable apartments owned by The Road Home with full time on-site case management; properties managed by Meridian Group.

THE ROAD HOME DANE COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RISE—In collaboration with The Salvation Army, The Road Home provides support services to about ten families a year in a new rapid rehousing program, who also receive a rental subsidy and assistance with housing location.

Fair Oaks—is a partnership with Stone House Development, Inc. to provide affordable three-bedroom apartments for larger families who have experienced homelessness. Through United Way funding, we will also be partnering with The Playing Field who is expanding to create a new early learning center on the east side of Madison that will serve children living in Fair Oaks Apartments.

The Breese Apartments—The Road Home partners with Stone House Development for nine affordable apartments for homeless families in a mixed-income development. Stone House manages the apartments and The Road Home provides supportive case management services.

MVP—The Mainstream Voucher Program is administered by the City of Madison Community Development Authority and Dane County Housing Authority. The Road Home partners with both agencies to provide support services for over 50 families with Section 8 Mainstream Vouchers, allowing them to pay 30% of their income for rent. Each housing authority has different eligibility criteria but in both partnerships, the household needs to include a head of household between 18-61 years old with a disability.

The Heart Room—A pilot program that provides six families with opportunities to achieve housing stability long-term. Includes three years of significant rental assistance with flexible and family-driven support and services. A partnership with Orchard Ridge UCC, Joining Forces for Families (JFF), Early Childhood Initiative (ECI) and The Road Home.

Management and general—Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of The Road Home's program strategy; secure proper administrative functioning of the board of directors; and maintain and manage the financial and budgetary responsibilities of The Road Home.

Fundraising—Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

THE ROAD HOME DANE COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Road Home is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, The Road Home qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Housing and Hope, LLC is a considered a disregarded entity for federal tax purposes and its operations are reported on The Road Home's federal exempt organization return.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by The Road Home. Volunteers also provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria are not met. The Road Home would not be able to help homeless families succeed without the participation of hundreds of volunteers who annually provide over 15,000 hours of service to our families.

Date of Management's Review

Management has evaluated subsequent events through May 24, 2021, the date which the financial statements were available to be issued.

NOTE 2—INVESTMENTS HELD FOR BOARD SUSTAINABILITY FUND

Investments held for board sustainability fund are comprised of the following:

	2020	2019
Cash equivalents held by investment managers	\$ 628,426	\$ 309,311
Certificates of deposit	515,475	324,799
Mutual funds	291,906	101,453
Common stocks	1,310,158	535,188
Corporate bond	26,612	-
Investments held for board sustainability fund	<u>\$ 2,772,577</u>	<u>\$ 1,270,751</u>

Mutual funds and common stocks are valued at unadjusted quoted prices reported on the active markets on which the individual securities are traded, which are Level 1 fair value measurements. Corporate bonds are valued using a market approach that uses as inputs observed interest rates and yield curves, prices in active markets for similar assets, and prices for identical assets in inactive markets that have been adjusted by observable indexes, which are Level 2 fair value measurements.

THE ROAD HOME DANE COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 3—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	2020	2019
Receivable in less than one year	\$ 570,902	\$ 566,934
Receivable in one to five years	442,777	597,208
Receivable in more than five years	5,250	7,350
Total unconditional promises to give	1,018,929	1,171,492
Less allowance for uncollectible promises receivable	37,929	48,772
Less discounts to net present value	35,444	35,908
Unconditional promises to give, net	<u>\$ 945,556</u>	<u>\$ 1,086,812</u>

Unconditional promises to give receivable in more than one year are discounted at rates ranging from 1% to 5%.

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2020	2019
Land	\$ 91,000	\$ 91,000
Building and improvements	1,115,231	1,115,231
Vehicle	30,249	30,249
Furniture and fixtures	60,281	60,281
Property and equipment	1,296,761	1,296,761
Less accumulated depreciation	144,302	106,876
Property and equipment, net	<u>\$ 1,152,459</u>	<u>\$ 1,189,885</u>

Property and equipment held for leasing consists of the following:

	2020	2019
Land	\$ 234,800	\$ 234,800
Land improvements	134,294	91,755
Buildings	1,159,391	1,159,391
Building improvements	1,184,057	1,174,217
Furniture and equipment	126,891	96,173
Property and equipment held for leasing	2,839,433	2,756,336
Less accumulated depreciation	749,989	661,798
Property and equipment held for leasing, net	<u>\$ 2,089,444</u>	<u>\$ 2,094,538</u>

THE ROAD HOME DANE COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 5—ENDOWMENT

At December 31, 2020 and 2019, The Road Home's board of directors has designated \$2,610,871 and \$2,522,487, respectively, of net assets without donor restrictions for the Interfaith Hospitality Network Housing and Hope Forever Fund. Since those amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as net assets without donor restrictions.

The Road Home established a fund at the Madison Community Foundation to invest its endowment assets. The agreement between The Road Home and the Foundation states that the transfer of assets is irrevocable and that the transferred assets will not be returned to The Road Home. However, the Foundation will make annual distributions of the income earned on the fund subject to the Foundation's spending policy. The agreement also grants variance power to the Foundation, which permits the Foundation to substitute another beneficiary in place of The Road Home if The Road Home ceases to exist or if the Foundation's board of governors votes that support of The Road Home either is no longer necessary or is inconsistent with the needs of the community.

The Foundation's primary investment goal is to deliver long-term investment returns sufficient to cover both spending and inflation to preserve the purchasing power of the investment portfolio. The Foundation seeks to achieve this goal through cost-effective implementation at an appropriate level of risk, diversification of asset classes and strategies to provide consistent returns, capital preservation in down market cycles to provide stability in spending support, and long-term capital appreciation through the incorporation of risk-based assets, including non-marketable, illiquid alternatives.

Changes in endowment net assets for the years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Board-designated endowment net assets at beginning of year	\$ 2,522,487	\$ 2,264,171
Additions	13,500	24,752
Distributions	(95,112)	(93,276)
Change in value of beneficial interest	169,996	326,840
Board-designated endowment net assets at end of year	<u>\$ 2,610,871</u>	<u>\$ 2,522,487</u>

NOTE 6—REFUNDABLE ADVANCE

During December 31, 2020, The Road Home received a restricted grant totaling \$69,000 that contained donor conditions. Since these grant funds are promises, conditioned on future uncertain events, they are not recorded as contribution revenue until donor conditions are met. Fund received from the donor in advance of the conditions being met totaled \$3,670; are recorded as refundable advances; and will subsequently be recognized as contribution revenue when donor conditions are met.

THE ROAD HOME DANE COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 7—NOTES PAYABLE

The Road Home received two deferred loans totaling \$616,000 from the City of Madison to acquire properties for housing programs. The loans are payable upon sale or transfer of a property or a change in or discontinuance of the permitted use of a property.

The Road Home also has a 3.99% note payable in monthly installments of \$2,201, including interest, through September 27, 2022, secured by land and buildings. The note has an outstanding balance of \$381,670 and \$392,362 at December 31, 2020 and 2019, respectively.

The future scheduled maturities of this note are as follows for the years ending December 31:

2021	\$ 11,421
2022	<u>370,249</u>
Total	<u><u>\$ 381,670</u></u>

NOTE 8—NET ASSETS

The Road Home's board of directors has designated net assets without donor restrictions for the following purposes:

	<u>2020</u>	<u>2019</u>
Designated for Interfaith Hospitality Network Housing and Hope Forever Fund Endowment	\$ 2,610,871	\$ 2,522,487
Designated for Board Sustainability Fund	2,772,577	1,270,751
Undesignated	<u>3,457,077</u>	<u>4,311,062</u>
	<u><u>\$ 8,840,525</u></u>	<u><u>\$ 8,104,300</u></u>

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Therapy	\$ 15,210	\$ 21,235
Building	128,581	172,281
Foundations	11,806	-
Case management	42,707	118,000
Childrens' activities	1,010	-
For subsequent years' activities	<u>839,412</u>	<u>1,059,974</u>
Net assets with donor restrictions	<u><u>\$ 1,038,726</u></u>	<u><u>\$ 1,371,490</u></u>

THE ROAD HOME DANE COUNTY, INC.
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NOTE 9—RETIREMENT PLAN

The Road Home sponsors a defined contribution plan covering all employees who have completed one year of employment and work at least 20 hours per week. The Road Home makes a contribution to the plan equal to 3% of all participants' compensation. In addition, The Road Home has the option to match participants' contributions to the plan up to 2% of the individual participant's compensation. Total expense for the years ended December 31, 2020 and 2019, was \$44,722 and \$41,574, respectively.

NOTE 10—MANAGEMENT AGREEMENT

The Road Home leases units of housing to families with varying amounts and terms that do not exceed one year. The Road Home has an agreement with Meridian Group, Inc. to manage the apartment operations and the remodeling of property held for leasing and maintain certain accounting records. Meridian Group, Inc. receives compensation equal to \$32 per occupied apartment unit. The agreement automatically renews each year unless terminated by either party. Management fees incurred by The Road Home for the years ended December 31, 2020 and 2019 were \$10,923 and \$10,890, respectively.

NOTE 11—CONCENTRATION OF CONTRIBUTION REVENUE

For the year ended December 31, 2019, contributions from one major contributor accounted for approximately 43% of the total contributions to The Road Home.

NOTE 12—LEASES

The Road Home has noncancelable operating leases for a copier that expires July 31, 2023. The lease then renews automatically for additional 1-year terms. Rental expenses for the lease totaled \$1,332 and \$1,398 for the years ended December 31, 2020 and 2019, respectively. Future minimum lease payments consist of the following:

2021	\$ 1,332
2022	1,332
2023	555
	<hr/>
	\$ 3,219

NOTE 13—PAYCHECK PROTECTION PROGRAM LOAN

On April 16, 2020, The Road Home received a \$263,600 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loan accrues interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower's forgiveness amount to the lender. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by The Road Home during the covered period. Eligible expenses may include payroll costs, interest on mortgages, rent, and utilities. On February 18, 2021, the entire loan and accrued interest was forgiven.

THE ROAD HOME DANE COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14—SUPPLEMENTAL CASH FLOW INFORMATION

The following table discloses the cash paid for interest and also provides a reconciliation of cash and restricted cash as reported within the consolidated statements of financial position that sums to the total of the same amounts shown in the consolidated statements of cash flows as of December 31:

	2020	2019
Cash paid for interest	\$ 15,719	\$ 16,100
Cash and restricted cash		
Cash	\$ 1,140,315	\$ 1,982,157
Security deposit	11,312	10,762
Replacement reserve	69,982	104,598
Total cash and restricted cash	<u>\$ 1,221,609</u>	<u>\$ 2,097,517</u>

NOTE 15—LIQUIDITY AND AVAILABILITY

The table below reflects The Road Home's financial assets as of the date of the consolidated statement of financial position reduced by amounts not available for general expenditures within one year of the date of the consolidated statement of financial position because of donor-imposed or other restrictions.

	2020	2019
Financial assets at year-end	\$ 7,594,609	\$ 7,254,915
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions	(1,038,726)	(1,371,490)
add back: amounts available for general expenditure in following year	418,957	514,034
Replacement reserves	(69,982)	(104,598)
Security deposits	(11,312)	(10,762)
Board designated for Board Sustainability Fund	(2,772,577)	(1,270,751)
Board designated for Interfaith Hospitality Network		
Housing and Hope Forever Fund Endowment	(2,610,871)	(2,522,487)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,510,098</u>	<u>\$ 2,488,861</u>

Financial assets not available for general expenditures includes \$5,383,448 set aside for long term investing. However, \$2,772,577 could be made available if necessary. As a part of The Road Home Dane County, Inc.'s liquidity management, it has a policy to structure its financial assets to be available equal to three months of average operating costs. Operating costs include all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. The operating reserve fund policy is reviewed every year after approval of the annual budget.

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NOTE 16—COVID-19

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on The Road Home and financial results will depend on future developments, including the duration and spread of the outbreak within the region in which we operate and the services we are able to provide safely. However, we are not expecting operations to be materially adversely impacted through the remainder of 2021.