

**THE ROAD HOME DANE COUNTY, INC.  
AND SUBSIDIARY**  
Madison, Wisconsin

**Audited Consolidated Financial Statements**

Year Ended December 31, 2021

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## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying consolidated financial statements of The Road Home Dane County, Inc. (a nonprofit organization) and its subsidiary ("The Road Home"), which comprise the consolidated statement of financial position as of December 31, 2021, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Road Home as of December 31, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Road Home and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, including omissions, 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 consolidated financial statements.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

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 consolidated 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 consolidated 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 Road Home'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Road Home'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.

### **Correction of Error**

As discussed in Note 15 to the consolidated financial statements, assets, liabilities and net assets with donor restriction were overstated for the year ended December 31, 2020. Our opinion is not modified with respect to this matter.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of The Road Home as a whole. The accompanying consolidated schedule of revenue and expenses by program and funding source – The Breese, schedule of real property and related debt, and City of Madison Community Development Division schedule of findings and questioned costs are presented for the purposes of additional analysis as required by the City of Madison Community Development Division and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

May 10, 2022  
Milwaukee, Wisconsin

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**

Madison, Wisconsin

**Consolidated Statement of Financial Position**

December 31, 2021

**Assets**

**Assets:**

Cash	\$	1,398,332
Investments		3,257,796
Government grants receivable, net		28,018
Rent and miscellaneous receivables, net		14,744
Unconditional promises to give, net		996,580
Prepaid expense		58,963
Security deposit		5,796
Replacement reserve		42,804
Property and equipment, net		1,152,096
Property and equipment held for leasing, net		<u>2,048,389</u>

**Total assets** \$ 9,003,518

**Liabilities and Net Assets**

**Liabilities:**

Accounts payable and accrued expenses	\$	24,572
Accrued payroll, taxes, and vacation		110,888
Security deposits held		10,949
Notes payable		<u>940,293</u>

**Total liabilities** 1,086,702

**Net Assets:**

**Without donor restrictions:**

Operating		3,662,196
Board designated for board sustainability fund		<u>3,110,589</u>
<b>Total without donor restrictions</b>		<u>6,772,785</u>

**With donor restrictions** 1,144,031

**Total net assets** 7,916,816

**Total liabilities and net assets** \$ 9,003,518

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

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Consolidated Statement of Activities**  
Year Ended December 31, 2021

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Revenues:</b>			
<b>Nonexchange transactions:</b>			
Contributions	\$ 1,235,779	\$ 597,226	\$ 1,833,005
Government grants	350,908	-	350,908
Other grants	622,306	-	622,306
In-kind	49,441	-	49,441
<b>Total nonexchange transactions</b>	<b>2,258,434</b>	<b>597,226</b>	<b>2,855,660</b>
<b>Investment activity:</b>			
Interest and dividends	56,099	-	56,099
Realized gain on investments	84,481	-	84,481
Unrealized gain on investments	218,457	-	218,457
Investment management fees	(20,181)	-	(20,181)
<b>Net investment activity</b>	<b>338,856</b>	<b>-</b>	<b>338,856</b>
Rent	106,181	-	106,181
Miscellaneous	4,368	-	4,368
Satisfaction of restrictions	627,366	(627,366)	-
<b>Total revenues</b>	<b>3,335,205</b>	<b>(30,140)</b>	<b>3,305,065</b>
<b>Expenses:</b>			
<b>Program services:</b>			
Healing House	26,604	-	26,604
Housing Stabilization	42,019	-	42,019
House-Ability	101,401	-	101,401
Foundations	105,572	-	105,572
Rapid Rehousing	167,973	-	167,973
Moving Up	44,178	-	44,178
Housing and Hope	545,072	-	545,072
RISE	89,499	-	89,499
Fair Oaks	71,874	-	71,874
The Breese Apartments	66,135	-	66,135
MVP	274,999	-	274,999
The Heart Room	68,120	-	68,120
Building Futures	172,317	-	172,317
Tailor Place	71,727	-	71,727
<b>Total program services</b>	<b>1,847,490</b>	<b>-</b>	<b>1,847,490</b>
<b>Supporting activities:</b>			
Management and general	428,066	-	428,066
Fundraising	427,273	-	427,273
<b>Total expenses</b>	<b>2,702,829</b>	<b>-</b>	<b>2,702,829</b>
<b>Change in net assets</b>	<b>632,376</b>	<b>(30,140)</b>	<b>602,236</b>
<b>Net assets at beginning of year</b>	<b>8,705,080</b>	<b>1,174,171</b>	<b>9,879,251</b>
Prior period adjustment (see footnote 15)	(2,564,671)	-	(2,564,671)
<b>Net assets at beginning of year, as restated</b>	<b>6,140,409</b>	<b>1,174,171</b>	<b>7,314,580</b>
<b>Net assets at end of year</b>	<b>\$ 6,772,785</b>	<b>\$ 1,144,031</b>	<b>\$ 7,916,816</b>

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

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Consolidated Statement of Functional Expenses**  
Year Ended December 31, 2021

**Program Services**

	<u>Healing House</u>	<u>Housing Stabilization</u>	<u>House-Ability</u>	<u>Foundations</u>	<u>Rapid Rehousing</u>	<u>Moving Up</u>	<u>Building Futures</u>	<u>Tailor Place</u>	<u>Housing and Hope</u>	<u>Subtotal</u>
Wages, taxes and benefits	\$ 22,061	\$ 36,554	\$ 76,388	\$ 48,837	\$ 139,012	\$ 38,442	\$ 81,890	\$ 63,461	\$ 228,111	\$ 734,756
Occupancy	213	285	812	815	1,346	353	1,376	576	138,616	144,392
Interest and bank fees	-	-	-	-	-	-	-	-	4	4
Insurance	341	457	1,344	1,308	2,154	567	2,210	924	8,867	18,172
Travel and meetings	26	545	843	175	2,350	148	443	19	814	5,363
Telephone	84	112	657	321	772	139	542	227	953	3,807
Office supplies	302	401	1,144	1,143	1,888	496	1,921	2,311	4,428	14,034
Professional fees	926	122	296	308	490	129	503	210	49,744	52,728
Postage and printing	66	88	251	252	415	109	426	178	752	2,537
Dues and memberships	5	7	20	21	34	9	35	15	60	206
Direct assistance	1,544	1,908	15,693	48,334	12,961	2,065	70,596	999	6,891	160,991
Subcontractors	-	-	-	-	-	-	5,663	-	-	5,663
Depreciation and amortization	398	533	1,520	1,526	2,520	661	2,577	1,078	98,697	109,510
In-kind	638	1,007	2,433	2,532	4,031	1,060	4,135	1,729	7,135	24,700
<b>Total expenses</b>	<u>\$ 26,604</u>	<u>\$ 42,019</u>	<u>\$ 101,401</u>	<u>\$ 105,572</u>	<u>\$ 167,973</u>	<u>\$ 44,178</u>	<u>\$ 172,317</u>	<u>\$ 71,727</u>	<u>\$ 545,072</u>	<u>\$ 1,276,863</u>

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**

Madison, Wisconsin

**Consolidated Statement of Functional Expenses (Continued)**

Year Ended December 31, 2021

	Program Services						Supporting Activities			Total Expenses
	Subtotal from Previous Page	RISE	Fair Oaks	The Breese Apartments	MVP	The Heart Room	Total Program Services	Management and General	Fundraising	
Wages, taxes and benefits \$	734,756	\$ 79,669	\$ 61,654	\$ 58,954	\$ 243,452	\$ 37,963	\$ 1,216,448	\$ 338,834	\$ 273,885	\$ 1,829,167
Occupancy	144,392	715	575	529	2,211	544	148,966	4,395	3,241	156,602
Interest and bank fees	4	-	-	-	-	-	4	15,261	3,089	18,354
Insurance	18,172	1,148	923	849	3,550	874	25,516	5,686	5,285	36,487
Travel and meetings	5,363	1,172	296	35	3,038	450	10,354	127	-	10,481
Telephone	3,807	282	226	208	939	214	5,676	1,612	1,302	8,590
Office supplies	14,034	1,023	1,538	988	3,061	768	21,412	4,903	4,910	31,225
Professional fees	52,728	261	210	193	807	199	54,398	46,701	6,135	107,234
Postage and printing	2,537	221	178	164	685	168	3,953	1,097	15,765	20,815
Dues and memberships	206	18	15	13	56	14	322	90	1,338	1,750
Direct assistance	160,991	1,503	3,456	1,622	6,418	24,272	198,262	1,131	56,585	255,978
Subcontractors	5,663	-	-	-	-	-	5,663	-	-	5,663
Bad debt	-	-	-	-	-	-	-	-	49,607	49,607
Events	-	-	-	-	-	-	-	-	63	63
Depreciation and amortization	109,510	1,339	1,076	991	4,140	1,019	118,075	8,229	6,068	132,372
In-kind	24,700	2,148	1,727	1,589	6,642	1,635	38,441	-	-	38,441
<b>Total expenses</b>	<u>1,276,863</u>	<u>\$ 89,499</u>	<u>\$ 71,874</u>	<u>\$ 66,135</u>	<u>\$ 274,999</u>	<u>\$ 68,120</u>	<u>\$ 1,847,490</u>	<u>\$ 428,066</u>	<u>\$ 427,273</u>	<u>\$ 2,702,829</u>

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

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Consolidated Statement of Cash Flows**  
Year Ended December 31, 2021

<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ 602,236
<b>Adjustments to reconcile change in net assets to net cash flows provided by operating activities:</b>	
Realized gain on investments	(84,481)
Unrealized gain on investments	(218,457)
In-kind donation - property and equipment	(11,000)
Depreciation and amortization	132,372
<b>Changes in assets and liabilities:</b>	
Government grants receivable	(3,092)
Rent and miscellaneous receivables	4,326
Unconditional promises to give	(51,024)
Prepaid expenses	(15,142)
Security deposits	(5,796)
Accounts payable and accrued expenses	(6,242)
Funds held by others	(433)
Refundable advance	(3,670)
Security deposits held	1,976
Accrued payroll, taxes, and vacation	4,675
<b>Net adjustments</b>	<u>(74,422)</u>
<b>Net cash flows provided by operating activities</b>	<u>346,248</u>
<b>Cash Flows from Investing Activities:</b>	
Interest retained in certificates of deposits	(515)
Purchases of investments	(433,390)
Proceeds from sale of investments	398,315
Purchases of property and equipment	(26,345)
Purchases of property and equipment held for leasing	(53,609)
<b>Net cash flows used by investing activities</b>	<u>(115,544)</u>
<b>Cash Flows from Financing Activities:</b>	
Payments on notes payable	<u>(11,176)</u>
<b>Net change in cash</b>	219,528
Cash at beginning of year	<u>1,221,608</u>
<b>Cash at end of year</b>	<u><u>\$ 1,441,136</u></u>
<b>Reconciliation of cash:</b>	
Cash	\$ 1,398,332
Replacement reserve	42,804
<b>Total cash</b>	<u><u>\$ 1,441,136</u></u>
<b>Supplementary Information:</b>	
Interest paid	<u><u>\$ 15,235</u></u>

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



**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Notes to Consolidated Financial Statements**  
Year ended December 31, 2021

**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.

The following program services are included in the accompanying consolidated 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.

*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 YMCA Madison and The Salvation Army. This program is scheduled to end during 2022.

*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.

*Rapid Rehousing*—Provides limited rental assistance and case management to move families quickly out of homelessness. A partnership program between The Road Home, the YMCA 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.

*Building Futures*—Creates supported housing for young families through collaboration with the YWCA Madison, RISE and other supporting entities.

*Tailor Place*—In partnership with Stone House Development, 10 units of affordable housing for families who have previously been in a rapid rehousing program or permanent supportive housing program, thereby opening space in those programs for families currently experiencing homelessness.

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

*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 expanded to create a new early learning center on the east side of Madison that will serve children living in Fair Oaks Apartments.

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2021  
(Continued)

**1. Summary of Significant Accounting Policies**

**Nature of Activities (Continued)**

*The Breese Apartments*—The Road Home partners with Stone House Development for nine affordable apartments for homelessness 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, Early Childhood Initiative and The Road Home.

**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.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment fund.

**Net Assets 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 that 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 Road Home does not have any net assets that are required to be maintained in perpetuity.

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2021  
(Continued)

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

**Use of Estimates**

The preparation of financial statements in conformity U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash**

For purposes of the consolidated statement of cash flows, The Road Home considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash. The Road Home also has funds held by Housing and Hope, LLC, which are shown on the consolidated statement of financial position as replacement reserve. These funds are used for maintenance of the property and equipment held for leasing.

**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 consists of rent due from tenants. Accounts are considered past due if payments are not received by the 5<sup>th</sup> day after the due date. Past due accounts are charged as 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. Management has determined all to be fully collectible; therefore, no allowance for doubtful accounts is considered necessary.

**Promises to Give**

Unconditional promises to give are recognized as revenues in the period 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 unconditional promises to give.

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2021  
(Continued)

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

**Investments Held for Board Sustainability Fund**

U.S. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The framework clarifies that the exchange price is the price in transaction between market participants to sell an asset or transfer a liability at the measurement date. The framework emphasizes that fair value is a market-based measurement and not an entity-specific measurement. U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs, which are summarized as follows:

**Level 1** – Quoted prices in active markets, e.g. NYSE, NASDAQ, etc. for assets identical to the securities to be valued. If a Level 1 input is available, it must be used.

**Level 2** – Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc.; quoted prices for similar assets in active markets; and inputs derived from observable market data by correlation or other means.

**Level 3** – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used to measure fair value.

*Mutual funds, REIT, common stocks, and exchange traded funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate bonds:* Valued at the present value of future cash flows.

**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 or amortization is computed using the straight-line method over the life of the assets. Depreciation and amortization expense was \$132,372 for the year ended December 31, 2021.

The Road Home also owns property and equipment that are held for leasing to clients.

**Expense Allocation**

The consolidated 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 ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2021  
(Continued)

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

**Revenue Recognition**

The Road Home recognizes revenue based on the existence or absence of an exchange transaction. The Road Home recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or member or by transferring control over a product to a customer or member. Accordingly, revenue is classified and reported as follows:

**Exchange transactions** – Recognized when The Road Home satisfies a performance obligation by providing a service or by transferring control over a product to a vendor or customer. All goods and services categorized as an exchange transaction are transferred at a point in time. The Road Home does not have any revenue from exchange transactions.

Revenue from non-exchange transactions consist of the following:

**Contributions of cash and other assets and promises to give** - received without donor stipulations are reported as revenue and net assets without donor restrictions. Contributions and grants received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-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 consolidated statement of activities as net assets released from restrictions. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction.

**Federal and state contracts** - Federal and state contracts are conditional upon the incurrence of allowable qualifying expenses. Revenue is recorded as allowable qualifying expenses incur.

**In-kind revenue** - recognized when a gift of in-kind service is performed on behalf of The Road Home.

**Donated Materials and 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 consolidated 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.

Donated property and equipment is recorded at the estimated market value. Donated materials and services consist of the following for the year ended December 31, 2021:

Storage and moving services	\$ 37,191
Software	11,000
Labor discount	1,250
<b>Total donated materials and services</b>	<b>\$ <u>49,441</u></b>

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2021  
(Continued)

**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 in 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 considered a disregarded entity for federal tax purposes and its operations are reported on The Road Home's federal exempt organization return.

**Subsequent Events**

Management has evaluated subsequent events through May 10, 2022, the date which the financial statements were available to be issued. Other than the subsequent event in Note 1, regarding the ending of the House-Ability program, there were no subsequent events requiring disclosure.

**2. Liquidity and Availability**

As part of our liquidity management plan, The Road Home maintains cash and cash equivalents in short-term investments sufficient to satisfy general operating requirements and other contractual obligations. The table below presents financial assets available for general expenditures and other contractual obligations within one year at December 31, 2021:

Cash	\$	1,398,332
Investments		3,257,796
Government grant receivables, net		28,018
Rent and miscellaneous receivables, net		14,744
Unconditional promises to give, net		<u>996,580</u>
<b>Total financial assets</b>		<b>5,695,470</b>
<b>Less amounts not available to be used within one year for general expenditures and other contractual obligations:</b>		
Investments held in quasi-endowment**		(2,955,060)
Unconditional promises to give, net		(350,291)
Purpose restricted net assets		<u>(147,451)</u>
<b>Financial assets available to meet general expenditures and other contractual obligations within one year</b>	<b>\$</b>	<b><u>2,242,668</u></b>

\*\* Represents year-end balance less 5% allowable distribution per endowment policy noted in footnote 12.

In addition to financial assets available to meet general expenditures and contractual obligations over the next 12 months, The Road Home operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures and contractual obligations. Refer to the consolidated statement of cash flows which identifies the sources and uses of The Road Home's cash for the year ended December 31, 2021.

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2021  
(Continued)

**3. Investments**

The following summarizes the classification of investments by classification and method of valuation in accordance with the requirements of U.S. GAAP as of December 31, 2021:

	Fair Value			Exempt from Disclosure	Total
	Level 1	Level 2	Level 3		
Cash and money market	\$ -	\$ -	\$ -	\$ 791,604	\$ 791,604
Certificates of deposit	-	-	-	528,754	528,754
<b>Common Stock:</b>					
Basic materials	36,203	-	-	-	36,203
Communications	39,117	-	-	-	39,117
Consumer cyclical	299,016	-	-	-	299,016
Consumer defensive	127,129	-	-	-	127,129
Energy	71,337	-	-	-	71,337
Financial services	205,628	-	-	-	205,628
Healthcare	129,930	-	-	-	129,930
Industrials	296,695	-	-	-	296,695
Technology	241,547	-	-	-	241,547
<b>Total common stock</b>	<u>1,446,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,446,602</u>
Mutual funds	230,860	-	-	-	230,860
Corporate bonds	-	25,653	-	-	25,653
REIT	63,202	-	-	-	63,202
Exchange traded funds	171,121	-	-	-	171,121
<b>Total</b>	<u>\$ 1,911,782</u>	<u>\$ 25,653</u>	<u>\$ -</u>	<u>\$ 1,320,358</u>	<u>\$ 3,257,796</u>

Investments at December 31, 2021 consist of:

Board restricted for Board Sustainability Fund	\$ 3,110,589
Certificates of deposit	<u>147,207</u>
<b>Total investments</b>	<u>\$ 3,257,796</u>

The Road Home invests in certificates of deposit and money market funds. Certificates of deposit are exempt from fair market value disclosure because they are valued at cost plus accrued interest. Money market funds are exempt from fair value disclosure because they are managed to maintain a net asset value per share of \$1, and are reported at that net asset value, which closely approximates fair value. Money market fund investments may be withdrawn upon request.

The Road Home's investments are exposed to various risks of loss, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the financial statements.



**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2021  
(Continued)

**4. Unconditional Promises to Give**

Unconditional promises to give are as follows at December 31, 2021:

Receivable in less than one year	\$ 639,848
Receivable in one to five years	400,863
Receivable in more than five years	<u>3,750</u>
<b>Total unconditional promises to give</b>	<b>1,044,461</b>
Less allowance for uncollectible promises to receive	(30,380)
Less discounts to net present value	<u>(17,501)</u>
<b>Unconditional promises to give, net</b>	<b>\$ <u>996,580</u></b>

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

**5. Property and Equipment**

Property and equipment consist of the following at December 31, 2021:

Land	\$ 91,000
Building and improvements	826,745
Building improvements	310,461
Furnitures and fixtures	<u>75,650</u>
<b>Total property and equipment</b>	<b>1,303,856</b>
Less accumulated depreciation and amortization	<u>(151,760)</u>
<b>Property and equipment, net</b>	<b>\$ <u>1,152,096</u></b>

Property and equipment held for leasing consists of the following at December 31, 2021:

Land	\$ 234,800
Land improvements	148,523
Buildings	1,159,391
Building improvements	1,196,478
Furnitures and fixtures	<u>153,851</u>
<b>Total property and equipment held for leasing</b>	<b>2,893,043</b>
Less accumulated depreciation and amortization	<u>(844,654)</u>
<b>Property and equipment held for leasing, net</b>	<b>\$ <u>2,048,389</u></b>

**6. Notes Payable**

The Road Home received two deferred loans totaling \$569,800 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 \$370,493 at December 31, 2021. Interest expense was \$15,235 for the year ended December 31, 2021.

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

2022	\$ <u>370,493</u>
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**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2021  
(Continued)

**7. Net Assets Without Donor Restriction**

The Road Home's board of directors has designated net asset without donor restrictions for the following purposes at December 31, 2021:

Designated for Board Sustainability Fund	\$ <u>3,110,589</u>
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**8. Net Assets with Donor Restriction**

Net assets with donor restrictions are restricted for the following purposes or period at December 31, 2021:

<b>Purpose:</b>	
Building	\$ 100,105
COVID	18,311
MVP	25,000
Therapy	<u>4,035</u>
<b>Total Purpose</b>	<u>147,451</u>
Restricted for time	<u>996,580</u>
 <b>Net assets with donor restrictions</b>	 \$ <u><u>1,144,031</u></u>

**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 year ended December 31, 2021 was \$52,030.

**10. Rent Income and Management Agreement**

The Road Home leases housing units to families with varying amounts and terms that do not exceed one year. Rental income for the year ended December 31, 2021 was 106,181. 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 \$33 per occupied apartment unit per month. The agreement automatically renews each year unless terminated by either party. Management fees incurred by The Road Home for the year ended December 31, 2021 were \$10,791.

**11. Contingencies and Concentrations**

For the year ended December 31, 2021, contributions from two major contributors accounted for a total of approximately 28% of the total revenue of The Road Home.

Cash is maintained at financial institutions, and at times, balances may exceed federally insured limits. The Road Home has never experienced any losses related to these balances.

The Road Home has received federal and state contracts for specific purposes that are subject to review and audit by the purchasing agencies. Such audits could lead to requests for reimbursements to the purchaser for expenditures disallowed under terms of the grants.

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2021  
(Continued)

**12. Quasi-Endowment Fund**

In 2009, The Road Home's board of directors approved of the Rev. David Michael Board Sustainability Fund ("Fund"). The fund is a general endowment to support the general operations of The Road Home for years to come. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as board designated without donor restriction.

The Road Home's finance committee is responsible for monitoring the Fund's investments, recommending changes to its policies when appropriate and facilitating communication with the investment manager. The Road Home's investment policy states, under normal circumstances, the total return (income plus capital appreciation) should exceed the annual distribution by at least the rate of inflation in order to retain portfolio purchasing power. The annual distribution amount is determined by the finance committee annually and recommended to the board of directors for approval. The maximum distribution is 5% of the fair market value of year-end assets.

A reconciliation of The Road Home's endowment activities are as follows:

<b>Balance, December 31, 2020</b>	\$	2,772,577
Additions		46,000
Distributions		(46,000)
Net investment activity		338,012
<b>Balance, December 31, 2021</b>	\$	<u>3,110,589</u>

**13. Beneficial Interest in Trust**

In a prior year, the Road Home established the Interfaith Hospitality Network Housing and Hope Forever Fund ("Forever Fund") at the Madison Community Foundation ("Foundation"). 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. In accordance with FASB Statement No. 136, "*Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*", these assets do not belong to The Road Home and should therefore not be recorded on The Road Home's consolidated statement of financial position.

The Road Home received \$90,000 in distributions from the Forever Fund for unrestricted purposes during the year ended December 31, 2021.

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2021  
(Continued)

**14. Leases**

The Road Home has a noncancelable operating lease for a copier that expires July 31, 2023. The lease then renews automatically for additional 1-year terms. Rental expense for the lease totaled \$1,332 for the years ended December 31, 2021. Future minimum lease payments consist of the following for the years ending December 31:

2022	\$	1,332
2023		<u>555</u>
<b>Total</b>	\$	<u><u>1,887</u></u>

The Road Home leases certain rental properties on behalf of clients under terms of noncancelable operating leases ending at various times. Rent expense in the amount of \$45,956 was paid by The Road Home for year ended December 31, 2021. The tenants that reside in the rental units are required to pay The Road Home an amount based on a percentage of their income.

**15. Prior Period Adjustment**

The consolidated financial statements include multiple prior period adjustments. A prior period adjustment was recorded to remove the Forever Fund from the consolidated statement of financial position of The Road Home. A second prior period adjustment was recorded to correct the deferred loan balance to the actual amount. A summary of the prior period adjustments and the effect on net assets without donor restriction is below:

<b>Net asset balance at December 31, 2020</b>	\$	8,705,080
Removal of Forever Fund		(2,610,871)
Correction of loan balance		<u>46,200</u>
<b>Net assets at beginning of year, as restated</b>	\$	<u><u>6,140,409</u></u>

**16. Reclassification of Beginning Net Assets**

The beginning net assets without donor restriction and net assets with donor restriction were adjusted due to promises to give in arrears being included in net assets without donor restriction in the prior year. The amount of \$135,445 was added to the beginning balance of net assets with donor restriction and backed out of net assets without donor restriction.

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**

Madison, Wisconsin

**Consolidated Schedule of Revenue and Expenses by Funding Source - The Breese**

Year Ended December 31, 2021

	<u>The Breese</u>			
	<u>City of Madison CDBG</u>	<u>Other</u>	<u>Other Programs</u>	<u>Total All Programs</u>
<b>Revenue:</b>				
Contributions	\$ -	\$ 33,039	\$ 700,606	\$ 733,645
Government grants	32,008	-	350,908	382,916
Other grants	-	-	622,306	622,306
In-kind	-	-	49,441	49,441
Investment return, net	-	-	337,749	337,749
Rent	-	-	106,181	106,181
Miscellaneous	-	100	2,114	2,214
<b>Total revenue</b>	<b>32,008</b>	<b>33,139</b>	<b>2,169,305</b>	<b>2,234,452</b>
<b>Expenses:</b>				
Wages, taxes and benefits	32,008	26,946	1,157,494	1,216,448
Occupancy	-	529	148,437	148,966
Interest and bank fees	-	-	4	4
Insurance	-	849	24,667	25,516
Travel and meetings	-	35	10,319	10,354
Vehicle	-	-	-	-
Telephone	-	208	5,468	5,676
Office supplies	-	988	20,424	21,412
Professional fees	-	193	54,205	54,398
Postage and printing	-	164	3,789	3,953
Dues and memberships	-	13	309	322
Direct assistance	-	1,622	196,640	198,262
Subcontractors	-	-	5,663	5,663
Bad debt	-	-	-	-
Events	-	-	-	-
Depreciation	-	991	117,084	118,075
In-kind storage	-	1,589	36,852	38,441
<b>Total expenses</b>	<b>32,008</b>	<b>34,127</b>	<b>1,781,355</b>	<b>1,847,490</b>
<b>Excess (deficit)</b>	<b>\$ -</b>	<b>\$ (988)</b>	<b>\$ 387,950</b>	<b>\$ 386,962</b>

See Independent Auditors' Report

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**Schedule of Real Property and Related Debt**  
Year Ended December 31, 2021

	<b>714 and 802 Vera Court</b>	<b>5806, 5808, 5812, and 5814 Balsam Road</b>	<b>Total</b>
<b>Cost of property</b>	\$ 1,452,093	\$ 1,440,950	\$ 2,893,043
<b>Related debt</b>			
CDBG deferred loans	\$ 308,000	\$ 261,800	\$ 569,800

See Independent Auditors' Report

**THE ROAD HOME DANE COUNTY, INC. AND SUBSIDIARY**  
Madison, Wisconsin

**City of Madison Community Development Division**  
**Schedule of Findings and Questioned Costs**  
Year Ended December 31, 2021

1.	Was a Single Audit Required? Dollar threshold used to distinguish between Type A and Type B programs	No N/A
2.	Type of auditors' report issued:	Unmodified
3.	Internal control over financial reporting: Material weakness identified? Significant deficiency identified and not considered a material weakness? Noncompliance material to financial statements noted?	No Yes No
4.	Internal control over major programs: Material weakness identified? Significant deficiency identified not considered to be a material weakness?	N/A N/A
5.	Indirect cost allocation plan reasonable and acceptable per 2 CFR 200 Subpart E ("Audit Requirements")	N/A
6.	Actual costs reasonable and allocated appropriately per 2 CFR Subpart E ("Cost Principle")?	Yes
7.	Costs allocated to the City of Madison Community Development Division contracts based on costs incurred and are supported by records and documents?	Yes
8.	Any audit findings disclosed that are required to be reported in accordance with CFR 200 Subpart F ("Audit Requirements")?	No
9.	Does the audit include an identification of all federal revenue sources and dollar amounts by program?	No
10.	Does the audit list any financial statement findings?	No
11.	Does the audit list any federal and state award findings and questioned costs?	N/A
12.	Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern?	No
13.	Does the audit report identify any additional audit issues related to The Road Home's City of Madison Community Development Division grants/contracts?	No
14.	Does the audit include - Schedule of revenue and expenses by program and funding source?	Yes
15.	Schedule of CDBG Office funds expended by program?	No, info reported in #14
16.	Schedule of real property assets and the debt recorded against each property?	Yes
17.	Was a management letter or other document conveying audit comments issued as a result of this audit?	Yes
	Name and Signature of partner	_____ Jason Wrasse
	Date of Audit Report	May 10, 2022