

Growing Home, Inc.

**Consolidated Financial Statements
and Single Audit Reports**

December 31, 2022 and 2021

(With Independent Auditor's Report Thereon)

Growing Home, Inc.
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Independent Auditor's Report

**Board of Directors
Growing Home, Inc.**

Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Growing Home, Inc. which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Growing Home, Inc. as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of Growing Home, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Growing Home, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

**Board of Directors
Growing Home, Inc.**

Auditor’s Responsibilities for the Audits 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 auditor’s 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government 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 Growing Home, Inc.’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 Growing Home, Inc.’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.

Emphasis of Matter

As discussed in note 1, Growing Home, Inc. adopted the Financial Accounting Standards Board’s Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as of and for the year ended December 31, 2022. The requirements of the ASU have been applied using the modified retrospective basis as of January 1, 2022. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Board of Directors
Growing Home, Inc.**

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2023 on our consideration of Growing Home, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Growing Home, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Growing Home, Inc.'s internal control over financial reporting and compliance.

Kundinger, Corder & Montoya, P.C.

May 23, 2023

Growing Home, Inc.
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents (note 9)	\$ 1,431,571	1,053,368
Accounts receivable	65,316	114,173
Grants and contributions receivable, net (note 3)	414,620	546,569
Investments (notes 4 and 6)	992,507	1,096,902
Prepaid expenses and other assets	37,696	40,778
Tenant security deposits	12,495	10,814
Beneficial interest in assets held by others (notes 5 and 6)	32,214	36,746
Operating lease right of use asset (note 7)	222,295	–
Property and equipment, net (notes 8 and 9)	1,025,485	1,054,416
Total assets	\$ 4,234,199	3,953,766
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 97,614	92,011
Tenant security deposits	13,241	10,689
Refundable advances (note 1(l))	148,436	–
Operating lease liability (note 7)	232,755	–
Notes payable (note 9)	158,319	238,102
Total liabilities	650,365	340,802
Net assets (note 10)		
Net assets without donor restrictions		
Undesignated	3,253,813	3,322,084
Board designated for endowment	32,214	36,746
Total net assets without donor restrictions	3,286,027	3,358,830
Net assets with donor restrictions	297,807	254,134
Total net assets	3,583,834	3,612,964
Commitments (notes 7, 9, 13, and 14)		
Total liabilities and net assets	\$ 4,234,199	3,953,766

See the accompanying notes to the consolidated financial statements.

Growing Home, Inc.
Consolidated Statement of Activities
Year Ended December 31, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating activities			
Support and revenue			
Government grants	\$ 1,747,121	–	1,747,121
Grants and contributions	467,565	349,097	816,662
Government contracts	898,918	–	898,918
Donated goods, services, and facilities (note 11)	392,447	–	392,447
Special events revenue	99,100	–	99,100
Less direct expenses	(54,128)	–	(54,128)
Rental income	140,101	–	140,101
Other income	106,260	–	106,260
Net assets released from restrictions (note 10)	305,424	(305,424)	–
Total support and revenue	<u>4,102,808</u>	<u>43,673</u>	<u>4,146,481</u>
Expenses			
Program services			
Strengthening Families	1,912,509	–	1,912,509
Nurturing Children	1,141,035	–	1,141,035
Connecting Community	427,551	–	427,551
Total program services	<u>3,481,095</u>	<u>–</u>	<u>3,481,095</u>
Supporting services			
Management and general	327,285	–	327,285
Fund raising	259,607	–	259,607
Total supporting services	<u>586,892</u>	<u>–</u>	<u>586,892</u>
Total expenses	<u>4,067,987</u>	<u>–</u>	<u>4,067,987</u>
Change in net assets from operations	<u>34,821</u>	<u>43,673</u>	<u>78,494</u>
Non-operating activities			
Net investment return	(107,624)	–	(107,624)
Total non-operating activities loss	<u>(107,624)</u>	<u>–</u>	<u>(107,624)</u>
Change in net assets	(72,803)	43,673	(29,130)
Net assets, beginning of year	<u>3,358,830</u>	<u>254,134</u>	<u>3,612,964</u>
Net assets, end of year	<u>\$ 3,286,027</u>	<u>297,807</u>	<u>3,583,834</u>

See the accompanying notes to the consolidated financial statements.

Growing Home, Inc.
Consolidated Statement of Activities
Year Ended December 31, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating activities			
Support and revenue			
Government grants	\$ 1,479,338	–	1,479,338
Grants and contributions	394,815	441,001	835,816
Government contracts	613,317	–	613,317
Donated goods, services, and facilities (note 11)	635,834	–	635,834
Paycheck Protection Program loan forgiveness (note 12)	160,000	–	160,000
Special events revenue	108,877	52,000	160,877
Less direct expenses	(27,261)	–	(27,261)
Rental income	122,673	–	122,673
Other income	11,391	–	11,391
Net assets released from restrictions (note 10)	840,804	(840,804)	–
Total support and revenue	<u>4,339,788</u>	<u>(347,803)</u>	<u>3,991,985</u>
Expenses			
Program services			
Strengthening Families	1,989,475	–	1,989,475
Nurturing Children	1,099,208	–	1,099,208
Connecting Community	355,043	–	355,043
Total program services	<u>3,443,726</u>	<u>–</u>	<u>3,443,726</u>
Supporting services			
Management and general	312,875	–	312,875
Fund raising	206,048	–	206,048
Total supporting services	<u>518,923</u>	<u>–</u>	<u>518,923</u>
Total expenses	<u>3,962,649</u>	<u>–</u>	<u>3,962,649</u>
Change in net assets from operations	<u>377,139</u>	<u>(347,803)</u>	<u>29,336</u>
Non-operating activities			
Net investment return	25,362	–	25,362
Total non-operating activities income	<u>25,362</u>	<u>–</u>	<u>25,362</u>
Change in net assets	402,501	(347,803)	54,698
Net assets, beginning of year	<u>2,956,329</u>	<u>601,937</u>	<u>3,558,266</u>
Net assets, end of year	<u>\$ 3,358,830</u>	<u>254,134</u>	<u>3,612,964</u>

See the accompanying notes to the consolidated financial statements.

Growing Home, Inc.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program services				Supporting services			
	Strengthening Families	Nurturing Children	Connecting Community	Total program services	Management and general	Fund raising	Total supporting services	Total expenses
Salaries	\$ 603,142	739,015	218,638	1,560,795	99,175	126,049	225,224	1,786,019
Benefits	83,436	102,364	31,373	217,173	40,919	16,424	57,343	274,516
Payroll taxes	48,680	59,484	17,442	125,606	13,661	10,076	23,737	149,343
Program expense	534,701	53,251	14,728	602,680	4,287	518	4,805	607,485
Donated goods, services, and facilities	360,615	9,281	70	369,966	18,166	4,315	22,481	392,447
Occupancy	150,529	56,769	24,343	231,641	10,393	554	10,947	242,588
Professional fees	50,514	14,677	79,625	144,816	33,541	57,584	91,125	235,941
Information technology	30,616	37,984	15,899	84,499	16,130	5,878	22,008	106,507
Fund raising expense	—	—	—	—	—	82,697	82,697	82,697
Bad debt	—	—	—	—	58,399	—	58,399	58,399
Depreciation	18,547	22,256	6,359	47,162	2,648	3,180	5,828	52,990
Office expenses	9,928	16,244	8,578	34,750	7,408	2,901	10,309	45,059
Other expenses	1,801	6,376	1,210	9,387	16,103	1,801	17,904	27,291
Travel	2,135	12,947	6,318	21,400	5,565	274	5,839	27,239
Insurance	8,656	10,387	2,968	22,011	1,235	1,484	2,719	24,730
Interest	9,209	—	—	9,209	—	—	—	9,209
Total functional expenses	1,912,509	1,141,035	427,551	3,481,095	327,630	313,735	641,365	4,122,460
Expenses netted against revenue								
Investment fees	—	—	—	—	(345)	—	(345)	(345)
Special events direct expenses	—	—	—	—	—	(54,128)	(54,128)	(54,128)
Total expenses netted against revenue	—	—	—	—	(345)	(54,128)	(54,473)	(54,473)
Total expenses	\$ 1,912,509	1,141,035	427,551	3,481,095	327,285	259,607	586,892	4,067,987

See the accompanying notes to the consolidated financial statements.

Growing Home, Inc.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program services				Supporting services			
	Strengthening Families	Nurturing Children	Connecting Community	Total program services	Management and general	Fund raising	Total support services	Total expenses
Salaries	\$ 633,056	698,185	169,000	1,500,241	100,970	118,530	219,500	1,719,741
Benefits	70,646	98,381	22,133	191,160	19,217	16,377	35,594	226,754
Payroll taxes	52,439	58,585	13,846	124,870	9,014	9,801	18,815	143,685
Donated goods, services, and facilities	571,470	—	—	571,470	50,887	13,477	64,364	635,834
Program expense	417,463	75,076	28,608	521,147	—	—	—	521,147
Occupancy	121,382	47,801	2,987	172,170	35,708	1,078	36,786	208,956
Professional fees	34,542	11,816	96,022	142,380	28,397	12,029	40,426	182,806
Information technology	32,856	48,868	9,061	90,785	10,710	3,589	14,299	105,084
Depreciation	19,149	17,184	6,383	42,716	982	5,401	6,383	49,099
Fund raising expense	—	—	—	—	—	46,380	46,380	46,380
Office expenses	13,707	20,628	2,817	37,152	4,308	2,296	6,604	43,756
Bad debt	—	—	—	—	38,282	—	38,282	38,282
Insurance	10,273	9,219	3,424	22,916	527	2,898	3,425	26,341
Other expenses	2,797	4,320	74	7,191	13,673	1,410	15,083	22,274
Travel	311	9,145	688	10,144	455	43	498	10,642
Interest	9,384	—	—	9,384	—	—	—	9,384
Total functional expenses	1,989,475	1,099,208	355,043	3,443,726	313,130	233,309	546,439	3,990,165
Expenses netted against revenue								
Investment fees	—	—	—	—	(255)	—	(255)	(255)
Special events direct expenses	—	—	—	—	—	(27,261)	(27,261)	(27,261)
Total expenses netted against revenue	—	—	—	—	(255)	(27,261)	(27,516)	(27,516)
Total expenses	\$ 1,989,475	1,099,208	355,043	3,443,726	312,875	206,048	518,923	3,962,649

See the accompanying notes to the consolidated financial statements.

Growing Home, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (29,130)	54,698
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	52,990	49,099
Operating lease asset and liability noncash expense	10,460	–
Loss on disposal of property and equipment	–	3,859
Bad debt	58,399	38,282
Allowance for uncollectable accounts	17,580	–
Net realized and unrealized losses (gains) on investments	116,121	(18,254)
Mortgage loan forgiveness	(70,000)	–
Paycheck Protection Program loan forgiveness	–	(160,000)
Change in operating assets and liabilities		
Accounts receivable	48,857	(22,824)
Grants and contributions receivable	55,970	174,659
Prepaid expenses and other assets	3,082	28,265
Tenant security assets and liabilities	871	(125)
Beneficial interest in assets held by others	4,532	(6,921)
Accounts payable and accrued liabilities	5,603	(32,337)
Refundable advance	148,436	–
Deferred revenue	–	(65,000)
Net cash provided by operating activities	423,771	43,401
Cash flows from investing activities		
Purchases of investments	(11,726)	–
Purchases of property and equipment	(24,059)	(21,954)
Net cash used in investing activities	(35,785)	(21,954)
Cash flows from financing activities		
Principal payments on notes payable	(9,783)	(9,499)
Net cash used in financing activities	(9,783)	(9,499)
Net increase in cash and cash equivalents	378,203	11,948
Cash and cash equivalents, beginning of year	1,053,368	1,041,420
Cash and cash equivalents, end of year	\$ 1,431,571	1,053,368
Supplemental cash flow information		
Interest paid	\$ 9,209	9,384
Supplemental disclosure of non-cash investing and financing activity		
Operating lease asset and liability noncash expense	\$ 10,460	–
Operating lease right of use asset	\$ 222,295	–
Operating lease liability	\$ 232,755	–

See the accompanying notes to the consolidated financial statements.

Growing Home, Inc.
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Organization

Growing Home, Inc. (Growing Home) has provided services to strengthen families, nurture children, and connect community since its inception in 1998. The organization began when its founder, Kathleen Drozda, met a homeless woman living in her car with her dogs, parked at the hospital where Drozda worked. This chance meeting awakened Drozda to the problem of suburban homelessness and was the spark that led her to start Growing Home. Over the years, Growing Home evolved to offer wrap-around services, dual-generation programs, and a participant-centered approach that elevates community voices so families and communities may thrive. This growth was conscious and intentional, as Growing Home's staff recognized that family homelessness has many contributing factors, and successfully addressing this problem requires multifaceted interventions to serve all family members.

Growing Home is dedicated to creating a thriving and equitable north Denver metro, one family at a time. In partnership with those who live in the community, Growing Home advances equity in food, housing, parenting education, and lifelong stability to create lasting change for today and the future. Growing Home's evidence-based model makes the organization a leader in the two-generation approach to poverty alleviation and community equity. In 2022, Growing Home served 2,272 households comprised of 9,568 individuals in the areas of food, housing, parenting education, and lifelong stability.

Growing Home provides the following program services:

Strengthening Families: Growing Home provides a continuum of basic needs supports like food and housing in a participant-centered approach so families can overcome obstacles and build lifelong stability, resiliency, and healthy habits. Services include: a choice shopping model food pantry open five days a week, a housing stability program providing case management and rental/utility assistance, long-term case management aimed toward lifelong stability, and parenting education through the Parents as Teachers program.

Nurturing Children: Growing Home helps parents acquire the skills and resources they need to ensure their children and future generations are on a path to a brighter future. This includes education and coaching on child development and parenting practices that help prepare kids for a lifetime of success. Programs are evidence-based and support a two-generation approach to poverty alleviation, including the parents as teachers home visitation.

Connecting Community: Growing Home believes that thriving and equitable communities can exist when the organization taps into the resiliency and leadership of the families with whom it works. Growing Home focuses on connecting community by focusing on community organizing, leadership development, advocacy, and community-led projects such as a community garden and food justice taskforce.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Westchester Apartments, LLLP (collectively, Growing Home), a partnership of Growing Home and the Adams County Housing Authority, where Growing Home has a 99.5% interest and the Adams County Housing Authority has a 0.5% interest. The partnership was formed during 2005 for the purpose of purchasing and managing a residential housing complex to provide affordable housing for low-income individuals and is considered a disregarded entity for tax purposes. All intercompany transactions have been eliminated in consolidation.

Growing Home, Inc.
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

(d) Financial Statement Presentation

Growing Home is required to present information regarding its financial position and activities according to the following net asset classifications:

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 Growing Home. These net assets may be used at the discretion of Growing Home's management and the board of directors and include board designated funds subject to the endowment spending policy.

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 Growing Home or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(e) Measure of Operations

The consolidated statements of activities reports all changes in net assets, including changes resulting from both operating and non-operating activities. Operating activities consist of those items attributable to Growing Home's ongoing program activities and contributions and grants. Non-operating activities are limited to activities to be of a more unusual or nonrecurring nature, and consist of net investment return.

(f) Cash and Cash Equivalents

Growing Home considers all highly liquid investments with original maturities of three months or less, and which are not held by investment managers as a part of the investment portfolio or restricted by donors for long-term purposes, to be cash equivalents.

(g) Concentrations

Financial instruments that potentially subject Growing Home to concentrations of credit risk consist of cash and cash equivalents, investments, and receivables. Growing Home places its cash and cash equivalents with creditworthy, high quality, financial institutions. At times, a portion of these cash balances may not be insured by the Federal Deposit Insurance Corporation or related entity.

Investments are made and monitored by the management of Growing Home pursuant to an investment policy adopted by the board of directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of Growing Home.

Credit risk with respect to trade receivables is generally diversified due to the large number of entities and creditworthiness of the organizations that comprise Growing Home's customer base.

Growing Home, Inc.
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Concentrations, Continued

Growing Home receives cost reimbursement revenue from various government grants. For the years ended 2022 and 2021, revenue from these grants comprised 42% and 37%, respectively, of total operating support and revenue. A decrease in the amount of support from these grants could have an adverse effect on Growing Home's operations.

(h) Investments

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Fair value is determined as more fully discussed below. Management is responsible for the fair value measurement of investments reported in the consolidated financial statements and believes that the reported values are reasonable.

Investment return consists of Growing Home's distributive share of any interest, dividends, and capital gains and losses generated from sales of investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the consolidated statements of activities.

(i) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles (GAAP) establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Assets are grouped at fair value in three levels based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not an indication of risk or liquidity.

Growing Home, Inc.
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Leases

During 2022, Growing Home adopted the provisions of ASU No. 2016-02, *Leases (Topic 842)*. In accordance with the standard, Growing Home has elected not to record on the consolidated statements of financial position a lease whose term is twelve months or less and does not include a purchase option that Growing Home is reasonably certain to exercise. Growing Home has elected to use the risk-free rate to determine the present value of the lease payments for the purpose of calculating the right of use asset and lease liability. In addition, Growing Home has elected the practical expedient not to separate lease and non-lease components for the office lease. See note 1(s).

(k) Property and Equipment

Property and equipment is recorded at cost, if purchased or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from two to forty years. Leasehold improvements are amortized ratably over the lesser of the lease term or the estimated useful life. Growing Home's policy is to capitalize all expenditures for property and equipment in excess of \$10,000 and with an estimated useful life greater than one year, and to expense normal repairs and maintenance as incurred. When assets are sold, retired, or otherwise disposed of, the applicable costs are removed from the accounts and any resulting gain or loss is recognized.

(l) Revenue Recognition

Government grants and grants and contributions

Grants and contributions are recognized when cash, securities or other assets, and unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Should Growing Home substantially meet the conditions in the same period that the contribution was received, and barring any further donor-imposed restrictions, Growing Home has elected to recognize the revenue in net assets without donor restrictions. Payments received in advance of conditions being met are recorded as refundable advances. At December 31, 2022 and 2021, conditional contributions from foundations total \$90,000 and \$0, respectively, none of which have been received in advance.

Government grants are treated as contributions that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2022 and 2021, conditional contributions related to these grants, totaling \$1,835,726 and \$1,085,448, respectively, have not been recognized in the accompanying consolidated financial statements. At December 31, 2022 and 2021, advance payments received under government grants totaled \$148,436 and \$0, respectively, and have been recognized as refundable advances in the consolidated statements of financial position.

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. Contributions, including contributions receivable, that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purposes restriction is accomplished), 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.

Growing Home, Inc.
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(I) Revenue Recognition, Continued

Government grants and grants and contributions, continued

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. Contributions, including contributions receivable, that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purposes restriction is accomplished), 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.

Grants and contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. For the year ended December 31, 2021, Growing Home used the allowance method to determine uncollectable amounts. For the year ended December 31, 2022, the entirety of the allowance was expended and management has determined that the specific write-off method is appropriate to determine uncollectable amounts going forward. In determining the collectability of receivables, management considers past collection experience and performs an analysis of subsequent collections. For the years ended December 31, 2022 and 2021, management has recognized an allowance for doubtful accounts totaling \$0 and \$17,580, respectively, and uncollectable amounts written off against bad debt totaled \$58,399 and \$38,282, respectively.

Government contracts

Government contract revenue is billed monthly based on a variable cost agreement and recognized as revenue in the month in which the costs are incurred, which aligns with when services are rendered. No funds have been received in advance.

Special events

Special events are comprised of revenue from an exchange transaction equal to the cost of direct benefits to donors and grants and contribution revenue for amounts received in excess of direct costs. Grants and contribution revenue is recognized following revenue recognition policies discussed above, and exchange transaction revenue is recognized the day the event takes place. Cash received but not yet earned is reported as deferred revenue.

Rental income

Rental income consists of revenue received from tenants under leases of residential property of one year or less. These are billed monthly, and revenue is recognized in the month in which payment is received. At year-end, management reviews any rental amounts not received to determine if a receivable should be recorded based on the significance of the amount and also reviews any amounts received in advance to determine if these should be recorded as deferred revenue based on the significance of the amount. At December 31, 2022 and 2021, there was no deferred rental income.

Growing Home, Inc.
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Donated Goods, Services, and Facilities

Contributed nonfinancial assets include donated food and supplies, use of facilities, and professional services which are recorded as contributions and corresponding expenses in the accompanying consolidated statements at their estimated values at the date of donation. All contributed nonfinancial assets are utilized by Growing Home and Growing Home does not sell donated gifts-in-kind. 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 Growing Home. Many individuals volunteer their time and perform a variety of tasks that assist Growing Home in its programs and general operations. However, the value of this contributed time is not reflected in the accompanying consolidated financial statements as it does not meet the criteria of recognition under GAAP. See also note 11.

(n) Functional Allocation of Expenses

The costs of providing various programs and other supporting activities have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. Growing Home incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. Growing Home also conducts a number of activities that benefit both its program objective as well as supporting services (i.e. fund raising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as estimates of time and effort incurred by personnel.

(o) Estimates

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

(p) Income Taxes

Growing Home is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, Growing Home qualifies for the charitable contribution deduction. Income from activities not directly related to Growing Home's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income subject to tax in 2022 or 2021.

Management is required to evaluate tax positions taken by Growing Home, and to recognize a tax liability if Growing Home has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. Growing Home believes that it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the consolidated financial statements. Growing Home is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination by the IRS.

Growing Home, Inc.
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(q) Subsequent Events

Growing Home has evaluated subsequent events through May 23, 2023, which is the date the consolidated financial statements were available to be issued. See also note 15.

(r) Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on previously reported net assets or the change in net assets.

(s) Adoption of New Accounting Pronouncements

Effective January 1, 2022, Growing Home adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and its related amendments. The standard requires lessees to recognize in the statement of financial position the assets and liabilities that arise from leases. Adoption of ASU 2016-02 resulted in the recognition of an operating right of use asset totaling \$222,295 as well as an operating lease liability totaling \$232,755 for the year ended December 31, 2022. Growing Home elected to adopt the transition relief provisions from ASU No. 2018-11 and recorded the impact of adoption as of January 1, 2022, without restating any prior year amounts or disclosures. The related policy elections made by Growing Home can be found in note 1(j) and the additional lease disclosures can be found in note 7. No cumulative effect adjustment to the beginning net assets was required in connection with the implementation of the standard.

During 2022, Growing Home adopted ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard is aimed at increasing the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The provisions of the standard have been implemented in the accompanying consolidated financial statements on a retrospective basis. The amendments under this accounting standard update do not change the recognition and measurement requirements for contributed nonfinancial assets. Accordingly, there is no effect on net assets in connection with the implementation of ASU No. 2020-07.

Growing Home, Inc.
Notes to Consolidated Financial Statements, Continued

(2) Liquidity and Availability of Financial Assets

The following reflects Growing Home's financial assets that are available for general expenditure within one year as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,431,571	1,053,368
Accounts receivable	65,316	114,173
Contributions and grants receivable, net	414,620	546,569
Investments	992,507	1,096,902
Beneficial interest in assets held by others	<u>32,214</u>	<u>36,746</u>
Total financial assets at year-end	2,936,228	2,847,758
Less financial assets not available within the year		
Contributions receivable, due in more than one year	(57,905)	(172,497)
Unavailable to management without board approval	<u>(32,214)</u>	<u>(36,746)</u>
Financial assets available for expenditures within one year	\$ <u>2,846,109</u>	<u>2,638,515</u>

As part of its liquidity management, Growing Home has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Growing Home manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Growing Home's board of directors has designated a portion of net assets without donor restrictions for specific purposes (see note 10). Although Growing Home does not intend to spend from the board-designated funds, the funds could be made available for current operations, with board approval, if needed. Growing Home considers donor restricted contributions for on-going programs to be available for expenditure, provided they are available for expenditure within the next twelve months.

(3) Grants and Contributions Receivable

Grants and contributions receivable consist of the following at December 31, 2022:

	<u>Due in one year</u>	<u>Due in two to five years</u>	<u>Due after five years</u>	<u>Total</u>
Government grants receivable	\$ 264,260	-	-	264,260
Grants and contributions receivable	<u>92,455</u>	<u>57,905</u>	<u>-</u>	<u>150,360</u>
Total	\$ <u>356,715</u>	<u>57,905</u>	<u>-</u>	<u>414,620</u>

Grants and contributions receivable consist of the following at December 31, 2021:

	<u>Due in one year</u>	<u>Due in two to five years</u>	<u>Due after five years</u>	<u>Total</u>
Government grants receivable	\$ 282,074	-	-	282,074
Grants and contributions receivable	<u>109,578</u>	<u>144,917</u>	<u>10,000</u>	<u>264,495</u>
Total	\$ <u>391,652</u>	<u>144,917</u>	<u>10,000</u>	<u>546,569</u>

Growing Home, Inc.
Notes to Consolidated Financial Statements, Continued

(3) Grants and Contributions Receivable, Continued

	<u>2022</u>	<u>2021</u>
Amounts due in		
Less than one year	\$ 356,715	391,652
One to five years	57,905	162,497
After five years	<u>—</u>	<u>10,000</u>
Total receivables	414,620	564,149
Less allowance for uncollectable pledges	<u>—</u>	<u>(17,580)</u>
Net contributions and grants receivable	\$ <u>414,620</u>	<u>546,569</u>

Amounts due in more than one year have not been discounted to net present value as it was determined by management that this did not have a material effect in the consolidated financial statements.

(4) Investments

Investments are comprised of the following at December 31:

	<u>2022</u>	<u>2021</u>
Fixed income funds	\$ 887,125	980,783
Cash and short-term investment funds	75,214	66,928
Equities	<u>30,168</u>	<u>49,191</u>
Total investments	\$ <u>992,507</u>	<u>1,096,902</u>

(5) Beneficial Interest in Assets Held by Others

Growing Home entered into an agreement with the Rose Community Foundation (the Foundation) to hold and invest certain assets without donor restrictions (the funds). Growing Home named itself as the beneficiary of these funds. Growing Home granted variance power to the Foundation which allows the Foundation to substitute a successor organization if Growing Home ceases to operate or exist, or if in the sole judgment of the Foundation any donor recommendations or conditions on distributions from the funds becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by Growing Home. In accordance with the accounting standard *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, the transfer is not considered to be a contribution from Growing Home to the Foundation but rather is accounted for as a reciprocal transfer from Growing Home to the Foundation. Each year, distributions may be made pursuant to an agreement to be used to support the operations of Growing Home. At December 31, 2022 and 2021, the fair market value of the investments held by the Foundation totaled \$32,214 and \$36,746, respectively.

Growing Home, Inc.
Notes to Consolidated Financial Statements, Continued

(6) Fair Value Measurements

The following table summarizes Growing Home's financial instruments at fair value by the above fair value hierarchy levels as of December 31, 2022:

<u>Description</u>	<u>Fair value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash and short-term investments	\$ 75,214	75,214	–	–
Equities	30,168	30,168	–	–
Fixed income funds	<u>887,125</u>	<u>–</u>	<u>887,125</u>	<u>–</u>
Total investments	<u>992,507</u>	<u>105,382</u>	<u>887,125</u>	<u>–</u>
Funds at community foundation	<u>32,214</u>	<u>–</u>	<u>–</u>	<u>32,214</u>
Total	<u>\$ 1,024,721</u>	<u>105,382</u>	<u>887,125</u>	<u>32,214</u>

The following table summarizes Growing Home's financial instruments at fair value by the above fair value hierarchy levels as of December 31, 2021:

<u>Description</u>	<u>Fair value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash and short-term investments	\$ 66,928	66,928	–	–
Equities	49,191	49,191	–	–
Fixed income funds	<u>980,783</u>	<u>–</u>	<u>980,783</u>	<u>–</u>
Total investments	<u>1,096,902</u>	<u>116,119</u>	<u>980,783</u>	<u>–</u>
Funds at community foundation	<u>36,746</u>	<u>–</u>	<u>–</u>	<u>36,746</u>
Total	<u>\$ 1,133,648</u>	<u>116,119</u>	<u>980,783</u>	<u>36,746</u>

Fair values for equities are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for fixed income funds are based upon quoted market data for similar assets in markets that are not active. The fair value of Growing Home's assets held by Rose Community Foundation is based on information reported by Rose Community Foundation, which holds the funds.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

Balance at January 1, 2021	\$ 29,825
Purchases of additional investments	–
Redemptions of investments	–
Net investment return	<u>6,921</u>
Balance at December 31, 2021	36,746
Purchases of additional investments	–
Redemptions of investments	–
Net investment return	<u>(4,532)</u>
Balance at December 31, 2022	<u>\$ 32,214</u>

Growing Home, Inc.
Notes to Consolidated Financial Statements, Continued

(7) Operating Lease Right of Use Asset and Operating Lease Liability

Growing Home leases office space and facilities under a long-term non-cancelable operating lease through 2024. Growing Home includes in the determination of the right of use asset and lease liability any renewal options when the options are reasonably certain to be exercised. The lease does not provide a renewal option. Growing Home's operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreements requires Growing Home to pay utilities and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease. Growing Home has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. Growing Home has applied the risk-free rate option to the property and equipment class of assets.

Growing Home has elected the short-term lease exemption for all leases with a term of twelve months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on the straight-line basis.

Growing Home has elected the practical expedient to not separate lease and non-lease components for property and equipment leases.

The total operating lease cost for the years ended December 31, 2022 and 2021 was \$102,081 and \$91,287, respectively, and is included with occupancy in the statements of functional expenses.

The weighted-average term and discount rates for the operating lease outstanding as of December 31, 2022 are as follows:

Weighted-average term (years)	2.00
Weighted-average discount rate	1.73%

Future payments due under the operating lease as of December 31, 2022 are as follows:

Undiscounted cash flows due in:	
2023	\$ 116,461
2024	<u>120,371</u>
Total undiscounted cash flows	236,832
Impact of present value discount	<u>(4,077)</u>
Lease liability	\$ <u>232,755</u>

(8) Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 94,786	94,786
Buildings and improvements	1,524,433	1,500,374
Furniture, fixtures, and equipment	5,028	5,028
Vehicles	38,499	38,499
Leasehold improvements	<u>21,953</u>	<u>63,337</u>
	1,684,699	1,702,024
Less accumulated depreciation	<u>(659,214)</u>	<u>(647,608)</u>
Property and equipment, net	\$ <u>1,025,485</u>	<u>1,054,416</u>

Growing Home, Inc.
Notes to Consolidated Financial Statements, Continued

(9) Notes Payable

In April 2014, Growing Home refinanced a mortgage agreement with a balance of \$229,223, which is secured by Growing Home's cash accounts and Westchester Apartments LLLP's real estate property, with a fixed interest rate of 5.4%. Principal and interest totaling \$1,574 are due monthly, with a balloon payment due on March 15, 2024.

In October 2006, Growing Home entered into a fifteen-year, \$70,000 Affordable Housing Program Loan agreement, which is secured by real estate property with a 0% interest rate. No principal payments are due during the term of the loan, and repayment of the loan shall be forgiven at maturity as long as Growing Home remains compliant with the terms of the agreement. The loan was fully forgiven during the year ended December 31, 2022 and, therefore, recognized as contribution revenue.

Future principal payments on the note is as follows for the years ending December 31:

2023	\$ 10,481
2024	<u>147,838</u>
Total future principal payments	\$ <u>158,319</u>

(10) Net Assets

Net Assets without Donor Restrictions

Growing Home's net assets without donor restrictions are comprised of undesignated and Board designated amounts for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 3,253,813	3,322,084
Board designated for endowment	<u>32,214</u>	<u>36,746</u>
Total net assets without donor restrictions	\$ <u>3,286,027</u>	<u>3,358,830</u>

The board designated endowment fund's purpose is to provide cash flow to be used for present and future operations and programs. There were no assets appropriated for expenditure during both 2022 and 2021. See also note 5.

Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for time or purpose restrictions		
Future operations	\$ 50,000	-
Strengthening Families	138,112	111,811
Nurturing Children	70,945	67,699
Connecting Community	<u>38,750</u>	<u>74,624</u>
Total net assets with donor restrictions	\$ <u>297,807</u>	<u>254,134</u>

Growing Home, Inc.
Notes to Consolidated Financial Statements, Continued

(10) Net Assets, Continued

Net assets were released from donor restrictions as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for time or purpose restrictions		
Strengthening Families	\$ 108,756	270,934
Nurturing Children	121,894	95,951
Connecting Community	74,774	–
Special events	<u>–</u>	<u>52,000</u>
Total purpose restrictions released	305,424	418,885
Expiration of time restriction	<u>–</u>	<u>421,919</u>
Total net assets released from restrictions	\$ <u>305,424</u>	<u>840,804</u>

(11) Donated Goods, Services, and Facilities

Donated goods, services, and facilities consist of the following at December 31, 2022:

	<u>Program services</u>	<u>Supporting services</u>	<u>Total</u>
Food and supplies	\$ 366,887	3,676	370,563
Use of facilities	3,079	10,030	13,109
Professional services	<u>–</u>	<u>8,775</u>	<u>8,775</u>
Total	\$ <u>369,966</u>	<u>22,481</u>	<u>392,447</u>

Donated goods, services, and facilities consist of the following at December 31, 2021:

	<u>Program services</u>	<u>Supporting services</u>	<u>Total</u>
Food and supplies	\$ 571,470	16,274	587,744
Use of facilities	–	33,514	33,514
Professional services	<u>–</u>	<u>14,576</u>	<u>14,576</u>
Total	\$ <u>571,470</u>	<u>64,364</u>	<u>635,834</u>

Growing Home leases various facilities for use in its program and supporting services under no cost or below market value lease agreements. The valuations are provided by the various facilities based on the use of their space on an hourly or per room/square foot basis. Contributed food is valued using the average cost per pound of food each month as estimated by the Arlington Food Assistance Center for U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the condition and utility for use at the time of the contribution. Contributed supplies are also valued at the principal market rates per item. Contributed professional services are valued based upon the standard hourly rate charged by the donor.

All gifts-in-kind received during the years ended December 31, 2022 and 2021 were without donor restrictions.

Growing Home, Inc.
Notes to Consolidated Financial Statements, Continued

(12) Forgiveness of Paycheck Protection Program Loan

During the year ended December 31, 2020, Growing Home received a \$160,000 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The loan was treated as a refundable advance of a conditional contribution until such time that the loan was explicitly forgiven by the SBA. The loan was fully forgiven during the year ended December 31, 2021 and, therefore, recognized as contribution revenue.

(13) Retirement Plan

Growing Home maintains a 403(b)-retirement plan (the Plan) which covers substantially all employees. Eligible employees may begin to participate in the Plan with elective deferral contributions on the date of hire. Participants are eligible to contribute an amount not to exceed limits set by the Internal Revenue Service. Under the Plan, Growing Homes makes a contribution for all employees over the age of 18 who have completed one year of service in an amount equal to 100% of the employee's contributions, up to 5% of the employee's annual salary. During the years ended December 31, 2022 and 2021, Growing Home made matching contributions to the plan totaling \$49,963 and \$57,333, respectively.

(14) Fiscal Sponsorship

Growing Home was appointed the fiscal sponsor for Maiker Housing Partners (MHC) and the Early Childhood Partnership of Adams County (ECPAC) in December 2021 for the use of funds received through the Colorado Department and Public Health and Environment Health Disparities and Community Grant Program for the Collaborative for Healthy Adams County (the Collaborative). The purpose of the Collaborative is to improve long-term community resilience by working with the low income, Black, Indigenous, and people of color (BIPOC) community to address the racial and social inequities that exist for communities of color and those living in poverty. As an active member of the Collaborative, Growing Home is able to provide resources to facilitate the fiscal sponsorship, taking on the responsibility of ensuring the funds are used for tax-exempt purposes and paying expenses incurred by MHC and the ECPAC. Activity for MHC and the ECPAC is recorded as revenue and expenses on the consolidated statements of activities. Grants and contributions received for MHC and the ECPAC are recorded as net assets without donor restrictions as the applicable expense is incurred before being submitted for cost-reimbursement. Revenue consists of \$64,722 and \$0 for the years ended December 31, 2022 and 2021, respectively, and is included with grants and contributions on the consolidated statements of activities. The fiscal sponsorship is in place through November 30, 2024.

(15) Subsequent Event

On May 10, 2023, Growing Home divested itself of Westchester Apartments (7240 Newton St, Westminster, CO). The property was sold to Maiker Housing Partners for \$450,000. Proceeds from the sale were used to pay off the mortgage on the property, totaling \$158,319 at December 31, 2022.

Growing Home, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal grantor/pass-through grantor/program title	Pass-through entity identifying number	Grant award year	Assistance listing number	Federal expenditures
U.S. Department of Health and Human Services				
Pass-through Programs				
State of Colorado				
Maternal, Infant and Early Childhood Home Visiting Program	11 IHIA 171862	1/1/22 - 9/30/22	93.870	\$ 704,588
Maternal, Infant and Early Childhood Home Visiting Program	21 IHIA 177099	10/1/22 - 12/31/22	93.870	213,406
Subtotal 93.870				<u>917,994</u>
Adams County				
Community Services Block Grant	None	1/1/22 - 12/31/22	93.569	66,776
COVID 19 - Community Services Block Grant	None	1/1/22 - 7/31/22	93.569	52,621
Community Services Block Grant	None	5/1/22 - 7/31/22	93.569	5,841
Subtotal 93.569				<u>125,238</u>
Total Pass-through Programs				<u>1,043,232</u>
Total U.S. Department of Health and Human Services				<u>1,043,232</u>
U.S. Department of the Treasury				
Pass-through Programs				
Adams County				
Coronavirus State and Local Fiscal Recovery Funds	ARPA-139	4/26/22 - 12/31/22	21.027	132,691
Total Pass-through Programs				<u>132,691</u>
Total U.S. Department of the Treasury				<u>132,691</u>
U.S. Department of Housing and Urban Development				
Pass-through Programs				
Adams County				
COVID 19 - Community Services Block Grant	B-19-UW-08-0001	1/1/22 - 12/31/22	14.218	48,845
City of Thornton				
COVID 19 - Community Services Block Grant	143-21	1/1/22 - 4/30/22	14.218	17,029
Subtotal 14.218				<u>65,874</u>
Total Pass-through Programs				<u>65,874</u>
Total U.S. Department of Housing and Urban Development				<u>65,874</u>
U.S. Department of Homeland Security				
Pass-through Programs				
COVID 19 - Emergency Food and Shelter National Board Program				
	096800-037	5/17/22 - 12/31/22	97.024	40,945
COVID 19 - Emergency Food and Shelter National Board Program				
	096800-037	3/21/22 - 12/31/22	97.024	18,000
Subtotal 97.024				<u>58,945</u>
Total Pass-through Programs				<u>58,945</u>
Total U.S. Department of Homeland Security				<u>58,945</u>
U.S. Department of Agriculture				
Pass-through Programs				
Colorado Department of Human Services				
Food Bank Network	PO, IHGA, 20230005687	10/21/22 - 12/31/22	10.182	7,595
Total Pass-through Programs				<u>7,595</u>
Total U.S. Department of Agriculture				<u>7,595</u>
Total Expenditures of Federal Awards				<u>\$ 1,308,337</u>

Growing Home, Inc.
Schedule of Expenditures of Federal Awards, Continued
Year Ended December 31, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Growing Home, Inc. (Growing Home) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Growing Home, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Growing Home.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Growing Home has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Subrecipients

Growing Home did not pass through federal awards to subrecipients during the year ended December 31, 2022.



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

**Board of Directors
Growing Home, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Growing Home, Inc., which comprise the consolidated statement of financial position as of December 31, 2022 and 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, and have issued our report thereon dated May 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Growing Home, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Growing Home, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Growing Home, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Growing Home, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Board of Directors
Growing Home, Inc.**

Growing Home, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Growing Home, Inc.'s response to the findings identified in our audits and described in the accompanying schedule of findings and questioned costs. Growing Home, Inc.'s response was not subjected to the other auditing procedures applied in the audits of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kundinger, Corder & Montoya, P.C.

May 23, 2023



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**Board of Directors
Growing Home, Inc.**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Growing Home, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Growing Home, Inc.'s major federal programs for the year ended December 31, 2022. Growing Home, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Growing Home, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Growing Home, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Growing Home, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Growing Home, Inc.'s federal programs.

**Board of Directors
Growing Home, Inc.**

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Growing Home, Inc.’s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Growing Home, Inc.’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Growing Home, Inc.’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Growing Home, Inc.’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Growing Home, Inc.’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

**Board of Directors
Growing Home, Inc.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kundinger, Corder & Montoya, P.C.

May 23, 2023

Growing Home, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

A. Summary of Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on whether the consolidated financial statements of Growing Home, Inc. (Growing Home) were prepared in accordance with GAAP.
2. One material weakness relating to the audit of the consolidated financial statements is reported in the *Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the consolidated financial statements of Growing Home, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit as reported in the *Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*.
5. The auditor’s report on compliance for the major federal award program expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no audit findings relating to major programs that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was the U.S. Department of Health and Human Services’ Maternal, Infant and Early Childhood Home Visiting Program (Assistance Listing No. 93.870).
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. Growing Home was determined not to be a low-risk auditee.

B. Findings—Financial Statements Audit

2022-001 Audit Adjustments – Material Weakness

Criteria and Condition: As a result of the audit, adjusting journal entries were made to record grant and contribution revenue in accordance with Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These adjustments resulted in a decrease of \$91,691 to the change in net assets for the year ended December 31, 2022. In addition, reclassifications were made to properly report net assets with and without donor restrictions, and grants and contributions receivable.

Cause: When applying revenue recognition accounting standards, Growing Home had incorrectly recorded revenue for the full amount of a cost-reimbursement grant that had been received in advance and the full grant had not been earned by year-end. The unearned amount was adjusted to the refundable advance line on the consolidated statements of financial position. In addition, one grant was incorrectly determined to be conditional and should have been treated as unconditional. Furthermore, the restricted contribution detail included on the temporarily restricted net assets rollforward did not agree to the restricted revenue account detail in the general ledger and write-offs and recoveries of uncollectible grants and contributions receivable were not recorded correctly.

Context and Effect: Misstatement of revenue, net assets, and contributions and grants receivable at year-end could occur and not be prevented or detected and corrected in a timely manner, which could result in inaccurate financial reporting.

Growing Home, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022

B. Findings–Financial Statements Audit, Continued

2022-001 Audit Adjustments – Material Weakness, Continued

Recommendation: We recommend that Growing Home implement controls to ensure that grants and contributions are properly identified determined to be conditional or unconditional, and that the appropriate amounts of grant and contribution revenue are recorded. To help ensure accuracy of net asset additions, we recommend that management perform a reconciliation (at least quarterly) to ensure the early detection of errors, to provide management assurance that the control is being performed as designed, and to verify that revenue has been properly classified and recorded to the proper account number. Further, we recommend that a periodic review (at least quarterly) be made to determine the adequacy of the allowance for doubtful accounts. Review and approval should be formally documented in Growing Home’s records.

Views of Responsible Officials and Planned Corrective Actions: During 2023, accounting staff will undergo training on revenue recognition and establish new policies to ensure revenue is recorded in accordance with ASU 2018-08.

C. Findings and Questioned Costs–Major Federal Award Programs Audit

None.

Growing Home, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022

None.