

Family Tree, Inc.

Financial Statements

*For the Years Ended
June 30, 2023 and 2022*

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Family Tree, Inc.

Opinion

We have audited the accompanying financial statements of Family Tree, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Tree, Inc. as of June 30, 2023, and the changes in 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 Financial Statements section of our report. We are required to be independent of Family Tree, Inc. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

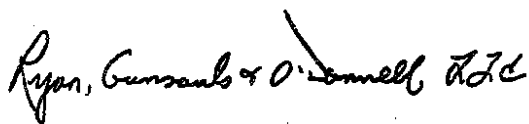
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Family Tree, 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Tree, 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.

Report on Summarized Comparative Information

The financial statements of Family Tree, Inc. as of and for the year ended June 30, 2022, were audited by other auditors whose report thereon, dated October 20, 2022, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent in all material respects, with the audited financial statements from which it has been derived.



Denver, Colorado
October 31, 2023

Family Tree, Inc.
Statements of Financial Position
June 30, 2023 and 2022

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 1,205,393	\$ 1,616,276
Cash investments	578,137	567,310
Accounts receivable	1,631,862	1,635,680
Inventory	-	53,214
Prepays	37,618	49,442
Investments	1,190,000	984,153
Total current assets	<u>4,643,010</u>	<u>4,906,075</u>
Land	534,633	534,633
Donated building, net	2,492,923	2,563,477
Property and equipment, net	3,983,042	2,079,386
Right-of-use assets-operating, net of amortization	24,566	-
Other asset:		
Beneficial interest in Colorado Gives Foundation	266,773	250,023
Total other asset	<u>266,773</u>	<u>250,023</u>
Total assets	\$ <u>11,944,947</u>	\$ <u>10,333,594</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 353,168	\$ 276,321
Accrued expenses and other liabilities	828,392	360,595
Deferred revenue	2,000	190,048
Current portion of lease liability-operating leases	7,019	-
Current portion of note payable, net of issuance costs	26,143	25,586
Total current liabilities	<u>1,216,722</u>	<u>852,550</u>
Non-current liabilities:		
Long-term portion of lease liability-operating leases	17,547	-
Note payable, net of issuance costs	307,391	333,150
Total non-current liabilities	<u>324,938</u>	<u>333,150</u>
Total liabilities	<u>1,541,660</u>	<u>1,185,700</u>
Net assets:		
Without donor restrictions:		
Undesignated	7,232,018	5,256,010
Designated by board for strategic investments	296,327	897,729
Total without donor restrictions	<u>7,528,345</u>	<u>6,153,739</u>
With donor restrictions:		
Perpetual in nature	174,917	174,917
Time restricted for future periods	2,492,922	2,563,476
Purpose restrictions	207,103	255,762
Total with donor restrictions	<u>2,874,942</u>	<u>2,994,155</u>
Total net assets	<u>10,403,287</u>	<u>9,147,894</u>
Total liabilities and net assets	\$ <u>11,944,947</u>	\$ <u>10,333,594</u>

See accompanying independent auditors' report and notes to financial statements.

Family Tree, Inc.
Statements of Activities
For the Years Ended June 30, 2023 With Summarized Comparative Totals for 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2023 Total</u>	<u>2022 (Summarized)</u>
Revenue and support:				
Contributed support:				
Federal government grants	\$ 3,833,815	\$ -	\$ 3,833,815	\$ 3,074,222
Program service fees	2,115,071	-	2,115,071	2,316,873
Other government grants	1,560,815	-	1,560,815	1,018,905
Corporations and individual contributions	582,988	79,825	662,813	828,327
Foundation grants	408,940	85,000	493,940	644,324
Contributed nonfinancial assets	424,842	-	424,842	210,017
Special events, net	127,977	-	127,977	116,633
Mile High United Way	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>
	9,129,448	164,825	9,294,273	8,284,301
Net assets released from restrictions	<u>229,035</u>	<u>(229,035)</u>	<u>-</u>	<u>-</u>
Total contributed support	<u>9,358,483</u>	<u>(64,210)</u>	<u>9,294,273</u>	<u>8,284,301</u>
Revenues from contracts:				
Earned revenues from program services	654,108	-	654,108	571,051
Treasure Trunk Thrift Store	<u>92,066</u>	<u>-</u>	<u>92,066</u>	<u>268,732</u>
Total revenues from contracts	<u>746,174</u>	<u>-</u>	<u>746,174</u>	<u>839,783</u>
Lease income	<u>78,934</u>	<u>-</u>	<u>78,934</u>	<u>79,478</u>
Total revenues	<u>10,183,591</u>	<u>(64,210)</u>	<u>10,119,381</u>	<u>9,203,562</u>
Functional expenses:				
Program services	9,227,551	-	9,227,551	7,981,783
General and administration	954,292	-	954,292	645,839
Fund development	<u>558,130</u>	<u>-</u>	<u>558,130</u>	<u>519,126</u>
Total functional expenses	<u>10,739,973</u>	<u>-</u>	<u>10,739,973</u>	<u>9,146,748</u>
Change in net assets from operating activities	<u>(556,382)</u>	<u>(64,210)</u>	<u>(620,592)</u>	<u>56,814</u>
Non-operating income (expense):				
Capital grants income	2,056,537	-	2,056,537	211,433
Investment return (loss)	101,798	-	101,798	(183,662)
Change in beneficial interest	1,199	15,551	16,750	(42,951)
Depreciation	(140,350)	-	(140,350)	(121,489)
Depreciation on donated building	-	(70,554)	(70,554)	(70,554)
Loss on sale of assets	(75,960)	-	(75,960)	-
Interest expense	<u>(12,236)</u>	<u>-</u>	<u>(12,236)</u>	<u>(14,191)</u>
Total non-operating income (expense)	<u>1,930,988</u>	<u>(55,003)</u>	<u>1,875,985</u>	<u>(221,414)</u>
Change in net assets	1,374,606	(119,213)	1,255,393	(164,600)
Net assets at beginning of year	<u>6,153,739</u>	<u>2,994,155</u>	<u>9,147,894</u>	<u>9,312,494</u>
Net assets at end of year	\$ <u>7,528,345</u>	\$ <u>2,874,942</u>	\$ <u>10,403,287</u>	\$ <u>9,147,894</u>

See accompanying independent auditors' report and notes to financial statements.

Statements of Functional Expenses
For the Years Ended June 30, 2023 With Summarized Comparative Totals for 2022

	Housing and Family Stabilization Services	Domestic Violence Services	Child and Youth Services	Integrated Services	Total program expense	General and administrative	Funds development	Total support services	2023 Total expenses	2022 Summarized total expenses
Salaries and benefits	\$ 2,260,654	\$ 1,675,430	\$ 1,243,507	\$ 539,482	\$ 5,719,073	\$ 1,094,215	\$ 328,928	\$ 1,423,143	\$ 7,142,216	\$ 6,303,645
Direct client costs	2,264,685	74,916	55,049	5,135	2,399,785	-	-	-	2,399,785	1,922,875
Contract services	53,459	51,550	20,279	2,924	128,212	97,905	27,890	125,795	254,007	150,159
Repairs and maintenance	95,490	61,263	-	60,840	217,593	-	-	-	217,593	185,856
Utilities	74,975	22,866	-	37,274	135,115	-	-	-	135,115	114,881
Supplies and printing	23,238	13,136	6,488	15,137	57,999	27,288	28,498	55,786	113,785	124,714
Insurance	39,918	16,326	8,762	13,630	78,636	16,551	2,921	19,472	98,108	90,879
Building lease and rent	100	-	10	80,520	80,630	-	-	-	80,630	72,065
Staff development, meetings, recruitment	22,063	18,557	9,004	8,273	57,897	6,901	3,238	10,139	68,036	52,571
Phone, IT, connectivity, postage	23,792	17,411	12,514	3,541	57,258	3,413	3,924	7,337	64,595	46,021
Merchandise and other	27	223	97	53,214	53,561	4	-	4	53,565	(27,113)
Travel	16,050	6,606	25,641	2,465	50,762	984	1,200	2,184	52,946	37,985
Merchant fees, other fees, dues	6,233	7,395	4,067	2,333	20,028	12,266	8,533	20,799	40,827	47,402
Outreach	125	125	988	-	1,238	-	12,214	12,214	13,452	11,940
Volunteer and board	-	-	-	-	-	1,553	3,760	5,313	5,313	12,868
Facilitlies and allocations	<u>336,287</u>	<u>216,823</u>	<u>199,155</u>	<u>(582,501)</u>	<u>169,764</u>	<u>(306,788)</u>	<u>137,024</u>	<u>(169,764)</u>	<u>-</u>	<u>-</u>
Total expenses	\$ <u>5,217,096</u>	\$ <u>2,182,627</u>	\$ <u>1,585,561</u>	\$ <u>242,267</u>	\$ <u>9,227,551</u>	\$ <u>954,292</u>	\$ <u>558,130</u>	\$ <u>1,512,422</u>	\$ <u>10,739,973</u>	\$ <u>9,146,748</u>

See accompanying independent auditors' report and notes to financial statements.

Family Tree, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,255,393	\$ (164,600)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Capital grants income	(2,056,537)	-
Net realized and unrealized (gain) loss on investments	(95,055)	193,442
Loss on sale of property and equipment	75,960	-
Depreciation	210,904	192,043
Change in beneficial interest	(16,750)	42,951
Amortization of right of use asset-operating	3,509	-
(Increase) decrease in operating assets:		
Accounts receivable	3,818	(514,918)
Inventory	53,214	(27,228)
Prepays	11,824	(22,254)
Increase (decrease) in operating liabilities:		
Accounts payable	76,847	(89,867)
Accrued expenses and other liabilities	467,797	173,868
Deferred revenue	(188,048)	-
Operating lease liabilities	(3,509)	-
Net cash used in operating activities	<u>(200,633)</u>	<u>(216,563)</u>
Cash flows from investing activities:		
Purchase of investments	(141,993)	(409,626)
Proceeds on sale of investments	49,983	200,000
Reinvestments	(29,609)	-
Proceeds on sale of property and equipment	8,000	-
Proceeds from capital grants	2,056,537	-
Purchases of property and equipment	(2,127,966)	(257,846)
Net cash used in investing activities	<u>(185,048)</u>	<u>(467,472)</u>
Cash flows from financing activities:		
Payments on note payable	(25,202)	(24,278)
Net cash used in financing activities	<u>(25,202)</u>	<u>(24,278)</u>
Net change in cash and cash equivalents	(410,883)	(708,313)
Total cash and cash equivalents, beginning of year	<u>1,616,276</u>	<u>2,324,589</u>
Total cash and cash equivalents, end of year	\$ <u>1,205,393</u>	\$ <u>1,616,276</u>
<u>Supplemental disclosure of non-cash operating activity:</u>		
Right of use assets purchased through operating leases	\$ <u>28,075</u>	\$ <u>-</u>
<u>Supplemental disclosure of cash flow information:</u>		
Interest paid	\$ <u>12,236</u>	\$ <u>17,183</u>

See accompanying independent auditors' report and notes to financial statements.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Nature of Operations and Services

Nature of Operations

The mission of Family Tree, Inc. (Family Tree) is to partner with all people to prevent and overcome the interconnected issues of child abuse, domestic violence and homelessness to promote safety, healing and stability across generations. Family Tree was founded in 1976 as a cooperative effort with local government, civic, and private agencies to coordinate existing human service resources, and to identify and develop innovative responses for youth and families in Jefferson County. Due to its high-quality services, along with expanding community needs, Family Tree broadened its service area to include the entire seven-county Denver metro region. Family Tree operates in three programmatic areas – Child and Youth Services, Domestic Violence Services, and Housing and Family Stabilization Services.

Family Tree works with priority populations located in the seven-county Denver metro region who have been affected by child abuse, domestic violence, and homelessness. During Family Tree's most recently completed fiscal year (2022-2023), internal data indicates they serve primarily female-headed households (70%), most adults are between 26-45 years old (59%), with annual income under \$20,000 (57%), upon intake. In fiscal year 2022-2023, Family Tree served 4,715 clients with direct, in-person services, and responded to an additional 17,748 crisis and helpline calls. Through our three residential facilities, they assisted 549 clients and provided over 28,000 nights of safe shelter to individuals and families.

Family Tree's services include:

Child & Youth Services: Offers community-based education, treatment, crisis intervention, and case management to stabilize children and youth and to help families overcome and prevent situations of child abuse and neglect.

Community Family Resource Team (CFRT): Four-month, home-based therapeutic program providing crisis intervention, school-based assistance, and support to stabilize families and keep youth safely in their homes. During fiscal year 2022-2023, 41 at-risk youth were assisted with in-home services; 89% of families who successfully completed services reported that CFRT helped them become more empowered and able to effectively advocate for themselves.

Safecare Colorado: Evidence-based, in-home program providing direct skills training in parenting, child safety, and health in Adams and Jefferson counties. In fiscal year 2022-2023, 113 families actively participated in the program and 80% of those families completed one or more Safecare topics, proving a significant increase in parenting skills.

Kinship Programs: Home-based financial/supportive services for relative caretakers struggling to maintain stability/housing for children in their care. This program assists families who are parenting a relative's or non-biological child(ren) and/or for families receiving child-only TANF. During fiscal year 2022-2023, 415 families (1,224 individuals) received supportive services to increase children's stability in their homes and 100% surveyed reported increased stability for the children in their care.

Domestic Violence Services: Keeps domestic violence survivors safe through crisis intervention, advocacy, outreach, emergency shelter, supervised parenting time, safe

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Nature of Operations and Services, continued

Family Tree's Services include, continued

Domestic Violence Services: (continued)

exchanges, and legal advocacy. During fiscal year 2022-2023, 7,315 people were provided with crisis intervention, advocacy, counseling, and community resources and 1,579 individuals were assisted through direct services.

Roots of Courage: Provides 45-day confidential shelter, case management, and support for survivors and their children. 7,266 nights of shelter were provided in fiscal year 2022-2023. 87% of survey respondents reported they know more ways to plan for their safety.

Legal Advocacy Program: Increases immediate and long-term safety through civil/criminal legal advocacy and crisis intervention. 314 people were served in fiscal year 2022-2023. 87% of those surveyed reported they know more ways to plan for their safety.

Domestic Violence Outreach Program: Increases safety/healing, and decreases isolation of victims and their children through advocacy in a safe, community setting. During fiscal year 2022-2023, 301 people were served and 89% of those surveyed reported they know more ways to plan for their safety.

Parenting Time Program: Provides a safe environment for children to spend time with nonresidential parent(s). During fiscal year 2022-2023, services were provided to 369 parents and 265 children, which provided 4,187 hours of safety for children.

Housing & Family Stabilization Services: Provides individual and family stabilization services through emergency shelter, crisis helpline, homeless prevention services, case management, education, housing and rental assistance and employment services, along with ancillary support for people experiencing homelessness and those at risk of becoming homeless.

Homelessness Program: Comprehensive support, case management and employment guidance, stabilizing individuals/families and providing access to affordable housing. During fiscal year 2022-2023, 5,872 people were connected to resources through the crisis helpline, and 474 households received direct services including rental assistance and case management. 90% of exiting households moved into safe and stable housing.

House of Hope: 90-day shelter, case management, and support for women with children experiencing homelessness. During fiscal year 2022-2023, House of Hope provided 8,871 nights of shelter to 119 individuals, comprising 39 families, with 61% of exiting families moving to safe and stable housing.

Generational Opportunities to Achieve Long-term Success (GOALS) Program: Two-generation program designed to break the intergenerational cycle of poverty and homelessness providing families experiencing homelessness with holistic, wrap-around support including temporary housing for up to nine months and access to quality early childhood education, work force development, physical and mental health and other support services. During fiscal year 2022-2023, GOALS housed 100 individuals, providing 12,448 nights of shelter and 80% of exiting families moved into safe and stable housing.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Nature of Operations and Services, continued

Family Tree's Services include, continued

Integrated Services: Provides services that support clients across the organization in achieving their goals.

Continuous Improvement Practice (CIP): An extensive set of tools and practices developed to improve Family Tree's work and outcomes for the benefit of its clients using a relevant, strong, and aligned data impact strategy along with data collection tools and data management and program evaluation practices that help track a client's progress toward short- and long-term goals.

Education and Employment Guidance: Provide coaching to case managers and advocates on how to help clients obtain employment, such as resume development, job search tactics, interviewing and employment resources. Case managers across Family Tree work with clients individually to achieve financial empowerment goals. The employment coordinator or workforce center representatives host education and employment classes for Family Tree clients at our residential programs and administrative offices and facilitate direct referrals to additional workforce centers and resources in the metro Denver area.

Diversity, Equity and Inclusion: Works to ensure a welcoming and equitable environment for a diverse and inclusive community across all levels of the organization.

Treasure Trunk: In October 2022, Family Tree closed operations for the donation-based community thrift store that offered access to clothing, furniture, and household goods to families and individuals on the path towards economic independence. Family Tree is now partnering with other community organizations to provide vouchers and resources for Family Tree program participants to gather basic needs items.

Property Management: Provides safe and secure facilities to ensure continuous operation and control of physical facilities owned and/or used for services.

Note 2: Summary of Significant Accounting Policies

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

Basis of Presentation

The financial statements have been prepared in accordance with U.S. GAAP which requires Family Tree to report 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 Family Tree.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 2: Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

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 Family Tree or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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

Basis of Accounting

The accompanying financial statements have been prepared on an accrual basis in accordance with U.S. GAAP; and accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expense during the reporting period. Accordingly, actual results could differ from those estimates. It is reasonably possible that estimates may change in the near term.

Fair Value

Cash, cash equivalents, receivables, prepaid expenses, investments, payables, and accrued expenses and other liabilities are reflected in the financial statements at fair value. The amounts reported in the financial statements approximate fair values because of their short maturities.

Cash and Cash Equivalents

Family Tree considers all highly liquid investments with original maturities of three months or less that are not part of the investment portfolio to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash or cash equivalents.

Cash investments

Cash investments are money market funds held by professional managers and are not considered cash or cash equivalents.

Accounts Receivable

Accounts receivable represents amounts due from government grants, program service fee contracts, and amounts to be received under other agreements. Individual governmental and private grant arrangements are evaluated and determined whether they are nonreciprocal, meaning the granting entity has not received a direct benefit of commensurate value in exchange for resources

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 2: Summary of Significant Accounting Policies, continued

Accounts Receivable, continued

provided. Instead, revenues are recognized like a conditional contribution, when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. These receivables are all due within one year.

Contributions receivable, including promises to give, are recognized as revenues in the period received. Unconditional pledges with terms greater than one year are initially recorded at fair value based on their estimated future cash flows. Pledges are discounted to present value using a discount rate commensurate with the risk involved. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Gifts of assets other than cash are recorded at their estimated fair value.

Family Tree uses the allowance method to determine uncollectible receivables. The allowance method is based on prior years' experience and management's analysis of specific receivable balances.

Accounts receivable consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Accounts receivable- government	\$ 1,581,922	\$ 1,629,538
Accounts receivable- other	27,900	6,077
Contributions-pledges and grants	26,475	4,500
Allowance	<u>(4,435)</u>	<u>(4,435)</u>
Total accounts receivable	<u>\$ 1,631,862</u>	<u>\$ 1,635,680</u>

Inventory

Inventory consists of materials donated to the Treasure Trunk Thrift Store and is valued at estimated fair value at the time of the donation. During the current fiscal year, Family Tree closed Treasure Trunk operations and there was no inventory as of June 30, 2023.

Long-lived Assets

Whenever certain events occur, Family Tree's management assesses the carrying value of its long-lived assets for impairment. If management determines that impairment has occurred, a loss is recognized based on the excess of the assets' carrying values over the estimated fair values. No impairment losses were recognized for the years ended June 30, 2023 and 2022.

Donated Buildings

Effective November 1, 2018, Family Tree entered into a long-term lease of four buildings located in Aurora, Colorado on the site of a former non-profit residential campus. Terms include \$100 per year base rent, with an initial lease term of 40 years and four options to extend the term of the lease for an additional 10 years each. The lease includes an option to purchase

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 2: Summary of Significant Accounting Policies, continued

Donated Buildings, continued

the buildings for \$100 and enter into a 99-year ground lease of the underlying land at the time certain redevelopment work on the campus is completed. The property houses the GOALS program which provides housing and supportive services to families overcoming homelessness.

The lease was recorded as a contribution with donor restriction for time with a fair value of \$2,822,176 at the date the lease was executed and classified in the statement of financial position as donated buildings. The donated buildings will be depreciated over the 40-year term on a straight-line basis. Corresponding amounts will also be released from restriction. The balance, net of depreciation, at June 30, 2023 and 2022 was \$2,492,923 and \$2,563,477, respectively, and is disclosed separately in the statement of financial position. Depreciation expense for the donated buildings for each of the years ending June 30, 2023 and 2022 totaled \$70,554.

Property and Equipment

It is Family Tree's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Property and equipment are stated at cost, and depreciation is calculated using the straight-line method of depreciation over the following estimated useful lives:

		<u>2023</u>	<u>2022</u>
Building and land improvements	10-40 years	\$ 5,535,330	\$ 3,811,588
Furniture, fixtures, and equipment	5-15 years	150,410	62,644
Vehicles	5-10 years	<u>41,672</u>	<u>68,261</u>
Total		5,727,412	3,942,493
Less accumulated depreciation		<u>(1,744,370)</u>	<u>(1,863,107)</u>
Property and equipment, net		<u>\$ 3,983,042</u>	<u>\$ 2,079,386</u>

Gains and losses on fixed assets are recognized in the year of disposal. Repairs and maintenance charges, which do not increase the useful lives of the assets, are charged to operations as incurred. Depreciation expense for the years ending June 30, 2023 and 2022 totaled \$140,350 and \$121,489, respectively.

Investments

Family Tree has adopted the guidance for *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under the guidance, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses, dividends and interest income are included in the change in net assets.

Compensated Absences

In accordance with the guidance for *Accounting for Compensated Absences*, Family Tree accrues vacation pay when earned. The liability for earned but unused balances at June 30, 2023 and 2022 totaled \$187,651 and \$143,913, respectively.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 2: Summary of Significant Accounting Policies, continued

Public Support and Contributions

Public support and contributions received are recorded as revenues and net assets with or without donor restrictions, depending on the existence and nature of any donor restrictions or by law. In general, grants received by Family Tree are considered contributions.

Public support and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as increases in net assets with donor restrictions. When a restriction is fulfilled, (that is, when a stipulated time restriction ends or the purpose of restriction is accomplished), net assets with donor restrictions are reclassified and reported in the statements of activities as net assets without donor restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the support is reported as net assets without donor restrictions.

Revenue Recognition

In accordance with ASC Sub-Topic 958-605, *Revenue Recognition*, Family Tree must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of release or a promise to transfer assets exist. Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of an agreement. Topic 958 prescribes that Family Tree should not consider probability of compliance with the barrier when determining if such contributions are conditional and should be reported as conditional contribution liability until such conditions are met.

Donated Materials and Services

Family Tree has adopted the provisions of *Accounting for Contributions Received and Contributions Made*. Donated services are recognized as contributions if 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 Family Tree. Donated materials are valued as of the date of contribution and recognized accordingly. Donated materials and services for the years ended June 30, 2023 and 2022 were \$424,842 and \$210,017, respectively.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the programs, management and general, and fund-raising functions based on various methods to reflect the effort expended on that program or function. Examples include estimated time worked for specific employees and budgeted number of full-time equivalent employees.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 2: Summary of Significant Accounting Policies, continued

Self-Insurance

Family Tree has elected to self-insure for state unemployment insurance. Family Tree is liable for certain expected losses. Provisions for losses expected under these programs are recorded based upon Family Tree's estimates of the aggregate liability for claims incurred. For the years ended June 30, 2023 and 2022, \$7,177 and \$40,666, respectively, was recorded as a provision for expected losses, and is included in accrued expenses and other liabilities on the statement of financial position.

Income Taxes

Family Tree has been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, Family Tree is subject to federal income tax on any unrelated business taxable income. In addition, Family Tree qualifies for the charitable contribution deduction and has been classified as an organization other than a private foundation under 509(a).

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2022, from which the summarized information was derived.

New Accounting Standard

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842). FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the statement of financial position for most leases and provide enhanced disclosures. Family Tree adopted FASB ASC 842, with a date of initial application of July 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): Targeted Improvements. Family Tree did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to changes in net assets as of July 1, 2022 was necessary for the cumulative impact of adoption of FASB ASC 842.

The most significant effects of adopting FASB ASC 842 was the recognition of \$28,075 of operating lease right of use (ROU) assets and a total of \$28,075 of current and long-term operating lease liabilities on the statement of financial position as of July 1, 2022. No cumulative effect adjustment to changes in net assets as of July 1, 2022, was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended June 30, 2023. As part of the transition, Family Tree implemented new internal controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients: Package of practical expedients:

- ☐ Election not to reassess whether any expired or existing contracts are or contain leases.
- ☐ Election not to reassess the lease classification for any expired or existing leases.
- ☐ Election not to reassess initial direct costs on any existing leases.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 3: Availability and Liquidity

Family Tree manages its liquidity and reserves using 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. Family Tree has set a goal to have operating reserves of 3 to 9 months' expenses with monthly calculation and monitoring procedures in place.

The following represents Family Tree's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,205,393	\$ 1,616,276
Grants and contributions receivable	1,631,862	1,635,680
Investments	<u>1,768,137</u>	<u>1,551,463</u>
Total financial assets	4,605,392	4,803,419
Less amounts not available to be used within one year:		
Restricted funds	<u>(95,498)</u>	<u>(68,536)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,509,894</u>	<u>\$ 4,734,883</u>

Family Tree receives contributions restricted by donors and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to available to meet cash needs for general expenditures.

Family Tree's beneficial interest in Colorado Gives Foundation (formerly Community First Foundation) consists of funds restricted for a specific purpose. The funds are not available for general expenditure. Income from the beneficial interest fund is restricted for specific purposes. Donor-restricted funds are not available for general expenditure.

Note 4: Off Balance Sheet Credit Risk

Family Tree maintains its cash balances at a financial institution which at times exceeded amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per institution per account holder. Family Tree has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Note 5: Fair Value of Investments

Family Tree has adopted the provisions of ASC 820, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. This framework defines fair values, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements. Under this guidance, assets and liabilities are grouped 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:

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 5: Fair Value of Investments, continued

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobserved assumptions reflect the instrument's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Family Tree did not have Level 3 securities as of June 30, 2023 and 2022.

There have been no changes in the methodologies used at June 30, 2023 and 2022. The Level 2 investments of Family Tree are not publicly traded but are based on quoted prices. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Family Tree believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, Family Tree's assets at fair value as of June 30, 2023 and 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2023</u>
Money market funds	\$ 578,137	\$ -	\$ -	\$ 578,137
Equity funds	492,842	-	-	492,842
Fixed income fund	591,352	-	-	591,352
Marketable alternative assets	105,806	-	-	105,806
Beneficial interest in Colorado Gives Foundation	<u>-</u>	<u>266,773</u>	<u>-</u>	<u>266,773</u>
Total assets at fair value	\$ <u>1,768,137</u>	\$ <u>266,773</u>	\$ <u>-</u>	\$ <u>2,034,910</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 5: Fair Value of Investments, continued

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2022</u>
Money market funds	\$ 579,885	\$ -	\$ -	\$ 579,885
Equity funds	468,958	-	-	468,958
Fixed income fund	406,840	-	-	406,840
Marketable alternative assets	95,780	-	-	95,780
Beneficial interest in Colorado Gives Foundation	<u>-</u>	<u>250,023</u>	<u>-</u>	<u>250,023</u>
Total assets at fair value	\$ <u>1,551,463</u>	\$ <u>250,023</u>	\$ <u>-</u>	\$ <u>1,801,486</u>

Note 6: Beneficial Interest in Colorado Gives Foundation

Family Tree participates in the Nonprofit Preservation Challenge Grant Program established by the Colorado Gives Foundation (formerly Community First Foundation). The purpose of this program is to assist charitable organizations with the formation of funds perpetual in nature. Under the terms and conditions of the grant award, in 2005 Family Tree made irrevocable transfers of restricted funds perpetual in nature to the Colorado Gives Foundation for the Helen's Hope Program (Helen's Hope), which supports domestic violence victims moving out of the Roots of Courage (formerly Women in Crisis) shelter into safe and stable housing. The Colorado Gives Foundation matched contributions received by Family Tree through July 2005 and provides investment management services. Distributions from the fund, per terms of the agreements, will be paid to Family Tree to support the Helen's Hope program. In addition, Family Tree pays the Colorado Gives Foundation a 1% fee for investment management services. Funds held by the Colorado Gives Foundation for the benefit of Family Tree are recorded as interest in net assets of the Colorado Gives Foundation, including contributions transferred, matched, and investment earnings, totaled \$266,773 and \$250,023 at June 30, 2023 and 2022, respectively.

Note 7: Note Payable

Family Tree has a note payable to Bank of America with interest rate of 3.69% maturing on January 1, 2034. The note is collateralized by certain property and assignment of rents on the related property. Monthly installments are \$3,212. Future annual maturities, net of issuance costs, of notes payable outstanding are as follows as of June 30:

2024	\$ 26,143
2025	27,171
2026	28,384
2027	29,276
2028	30,369
Thereafter	<u>192,191</u>
Total payments	333,534
Current portion	<u>(26,143)</u>
Long-term portion	<u>\$ 307,391</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 8: Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, have been designated for the following purposes:

	<u>2023</u>	<u>2022</u>
Designated by Board for Strategic Investments	\$ 296,327	\$ 897,729
Undesignated	<u>7,232,018</u>	<u>5,256,010</u>
Total assets without donor restrictions	<u>\$ 7,528,345</u>	<u>\$ 6,153,739</u>

Note 9: Net Assets With Donor Restrictions

Net assets have been classified as with donor restrictions for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for specified purpose:		
Housing and Family Stabilization Services	\$ 161,563	\$ 160,285
Integrated Services	4,219	32,540
Domestic Violence Services	32,113	59,385
Child and Youth Services	9,208	3,552
Restricted for Future Operations-Donated Building	<u>2,492,922</u>	<u>2,563,476</u>
Sub-total net assets with donor restrictions	<u>2,700,025</u>	<u>2,819,238</u>
Beneficial interest- held in perpetuity		
Helen's Hope	<u>174,917</u>	<u>174,917</u>
Total net assets with donor restrictions	<u>\$ 2,874,942</u>	<u>\$ 2,994,155</u>

Note 10: Lease Obligations

Family Tree entered into right-of-use operating leases for equipment. ROU assets and lease liabilities are recognized at July 1, 2022, the adoption date of ASU 842. Lease liabilities are based on the present value of future lease payments over the expected lease terms. Family Tree has elected the option to use the risk-free interest rate determined using a period comparable to lease terms as the discount rate for leases where the implicit rate is not readily available. The risk-free rate option has been applied at 5%. Right-of-use assets and liabilities as of June 30, 2023, are presented as separate line items on Family Tree's statements of financial position. The lease term and discount rate are as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Right-of-use operating leases remaining terms	4 years	ASU 842 not adopted
Right-of-use operating leases discount rate	5%	ASU 842 not adopted

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Right-of-use operating:		
Operating lease expense	<u>\$ 3,792</u>	ASU 842 not adopted
Total lease expenses	<u>\$ 3,792</u>	ASU 842 not adopted

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 10: Lease Obligations, continued

Cash paid for amounts is included in the measurements of lease liabilities as of June 30 is as follows:

	<u>2023</u>	<u>2022</u>
Operating cash flows for operating leases	\$ 3,509	ASU 842 not adopted

The following table summarizes the maturity of right-of-use lease liabilities under operating leases for subsequent years as of June 30, 2023:

2024	\$ 7,584
2025	7,584
2026	7,584
2027	<u>3,792</u>
Total lease payments	26,544
Less: interest	<u>(1,978)</u>
 Total lease liabilities	 24,566
Less: current portion, lease liabilities	<u>(7,019)</u>
Long-term portion, lease liabilities	<u>\$ 17,547</u>

Note 11: Government Grants

Family Tree receives certain revenues from grants with various governmental agencies. The disbursements of funds received under these grants generally requires compliance with terms and conditions specified in the contracts and is subject to audit by contracting agencies. The amount of charges to these grants that may be disallowed, if any, by such audits cannot be presently determined. However, management believes that the effect of any such audits would not have a significant impact on the financial statements; accordingly, no provision has been made in the financial statements for any liability that may result.

Note 12: Contributions

Contributions are provided to Family Tree either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restrictions:</i>	
Gifts that depend on Family Tree overcoming a donor -imposed barrier to be entitled to the funds.	Not recognized until the gift becomes unconditional (i.e. the donor -imposed barrier is met.)
<i>Unconditional gifts, with or without restrictions:</i>	
Received on the date of gift – cash or other assets	Fair value
Expected to be collected within one year	Net realizable value

Family Tree, Inc.
Notes to Financial Statements
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Note 12: Contributions, continued

In addition to the amount recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method. 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 statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional grants and contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenues and net assets without donor restrictions.

Note 13: Contributed Nonfinancial Assets

Contributed nonfinancial assets for the years ended June 30, are as follows:

	<u>2023</u>	<u>2022</u>
Goods	\$ 338,660	\$ 188,778
Services	<u>86,182</u>	<u>21,239</u>
Total	<u><u>\$ 424,842</u></u>	<u><u>\$ 210,017</u></u>

The nonfinancial assets listed above were recognized within revenues. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Donated goods, including clothing, food, furnishings, etc. from various donors are recorded in the accompanying financial statements at fair value as of the date of donation. The fair value of these types of donations are estimated using market prices of comparable items.

Contributions of services are recognized as revenues at their estimated fair value only when the services received create or enhance nonfinancial assets or required specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The fair value of these types of donations are estimated using market prices of comparable items.

Contributions of buildings are valued at estimated fair rental value based upon rentals of similar real estate.

In addition, Family Tree has volunteers who work one-on-one with clients, cook, clean, organize, provide administrative assistance, and participate in one-day impact opportunities to create significant improvements for clients. For the years ended June 30, 2023 and 2022, these volunteers provided 20,640 and 24,312 hours of work which is estimated at approximately \$618,000 and \$725,000, respectively. Amounts applicable to contributed hours are not reflected in the accompanying financial statements because the volunteers' time do not meet the required criteria for contributed services.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 14: Lease Income

Lease income consists of amounts received by Family Tree for renting buildings and space to non-related parties based on agreed upon lease agreements. During the fiscal years ended June 30, 2023 and 2022, total lease income totaled \$78,934 and \$79,478, respectively. The aggregate maturities of lease income are as follows as of June 30:

2024	\$ 40,230
2025	42,241
2026	<u>21,931</u>
	<u>\$ 104,402</u>

Note 15: Revenue from Contracts

Family Tree recognizes revenue in accordance with U.S. GAAP, when all of the following conditions are satisfied:

- There is persuasive evidence that an arrangement exists;
- The product has been delivered or the services performed;
- The amount of fees to be paid by members and customers are fixed or determinable;
- The collection of fees is reasonably assured.

Family Tree recognizes revenues based upon the satisfaction of the performance of services as determined in contracts. Determining whether and when these criteria have been satisfied involved exercising judgment and using estimates and assumptions that can have a significant impact on the timing and amount of revenue that Family Tree recognizes.

Program Service Fees

For the years ended June 30, 2023 and 2022, revenue from contracts with counties, other organizations and individuals of \$654,108 and \$571,051, respectively, has been classified as program service fees. Performance obligations are determined based on the nature of the services provided by Family Tree in accordance with the contract. Revenue is recognized as services are provided or for performance obligations satisfied over time revenue is recognized ratably over the period based on time elapsed. Family Tree believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Transaction Price and Recognition

For program service fees, Family Tree determines the transaction price based on negotiated charges for services agreed upon between Family Tree and the customer. Family Tree determines the contract price based on its cost to provide the service, including overhead, adjusted for negotiated concessions which it determines based on various factors including program impacts, ability to pay and historical experience with the purchaser. The contracts are generally one year or less and do not have significant financing components. Family Tree bills the individual customers at the time of service and government or private organizations monthly, on terms set forth in the contract, after services are performed. Accounts receivable are due in full when billed.

Family Tree determines the transaction price for Treasure Trunk Thrift Store based on its estimate of the value of the goods provided.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 15: Revenue from Contracts, continued

Subsequent changes that are determined to be the result of an adverse change in the customer's ability to pay are recorded as bad debt expense. Family Tree has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Counties, organizations and other customers that have different reimbursement and payment methodologies and varying financial capacity.

Note 16: Retirement Plan

Family Tree has a retirement plan (the Plan) under Internal Revenue Code Section 403(b). Employees regularly scheduled to work a minimum of 20 hours per week are eligible to participate in the Plan. The Plan allows for employees to make before-tax or after-tax Roth contributions up to 100% of their annual compensation, as limited annually by the Internal Revenue Service. All contributions to the Plan are fully vested when made. Effective July 1, 2017, Family Tree amended the Plan to include a discretionary employer match. For the years ended June 30, 2023 and 2022, Family Tree made matching contributions to the Plan of \$49,019 and \$62,613, respectively.

Note 17: Commitments

Marshall Street Landing

In March 2022, Family Tree entered into a Memorandum of Agreement (MOA) with Blueline Development, Inc. (Blueline) to redevelop approximately 1.7 acres of land owned by Family Tree. The redevelopment plan contemplates the development of an apartment building to be known as Marshall Street Landing (the Project) which will provide 85 units of permanent supportive housing for individuals and families who are at or below 30% area median income and have experienced homelessness. The Project is anticipated to be financed through Low Income Housing Tax Credits (LIHTC). The MOA provides that the Project will be owned by a Limited Liability Limited Partnership (the LLLP). Family Tree and Blueline will serve as co-general partners of the LLLP holding a .01% interest in the LLLP (the General Partner Interest). The remaining interests in the LLLP will be limited partnership interests held by investors in the Project.

Family Tree will own 25% of the General Partner Interest (GPI) as the Administrative General Partner through a wholly owned single member limited liability company. Blueline will own a 75% of the GPI as the Managing General Partner through a Blueline controlled limited liability company. The Managing General Partner will manage all aspects of planning, construction and completion of the Project, including supervision of financing, design, construction and compliance. Family Tree will be the lead service provider for the Project. In addition, Family Tree will be 25% owner and Blueline 75% owner in a limited liability company (the Developer LLC) which will serve as the developer of the Project. Family Tree's land will be leased to the LLLP pursuant to a 65-year ground lease for the purpose of this Project.

The Project was approved in November 2022 for federal and state for LIHTC; the sale of the tax credits to the limited partner(s) of the LLLP will provide the primary funding for the construction of the Project, which is anticipated to commence in January 2024 and to be complete in 1st quarter 2025. Additional funding will come from a mortgage loan and from government grants. In February 2023, Family Tree formed Family Tree GP, LLC to hold its interest in the LLLP. Closing of the financing of the Project, commencement of the ground lease and formation of the LLLP and the Developer LLC is anticipated in December 2023.

Family Tree, Inc.
Notes to Financial Statements
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Note 18: Concentrations

Family Tree has certain concentrations in specific categories; these concentrations represent 10% or more of total revenues. If a significant reduction in the level of these revenue sources occurs, it may have an effect on Family Tree's programs and activities.

One federal grant received in 2023 from SARS-Co V-2 virus (COVID 19) funds was a concentration in fiscal 2023. It is uncertain when the effects of COVID 19 will end.

Note 19: Reclassifications

Certain reclassifications have been made to the June 30, 2022 financial statement presentation to correspond to the current year's format. Total change in net assets is unchanged due to these reclassifications.

Note 20: Subsequent Events

Family Tree has evaluated subsequent events and transactions for potential recognition or disclosure through the date at which the financial statements were available to be issued, which is the date of the independent auditors' report, and noted no subsequent event that requires disclosure.