

**SEARCH HOMELESS SERVICES**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

*(With Summarized Comparative Information for 2020)*

*(With Independent Auditor's Report Thereon)*

**Insight. Oversight. Foresight.<sup>SM</sup>**

 **DoerenMayhew**  
CPAS AND ADVISORS

# SEARCH HOMELESS SERVICES

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
of **SEARCH Homeless Services**

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SEARCH Homeless Services as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited SEARCH Homeless Services' 2020 financial statements, and our report dated November 5, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of SEARCH'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 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 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 SEARCH's internal control over financial reporting and compliance.



Houston, Texas  
November 18, 2021

# SEARCH HOMELESS SERVICES

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(with comparative financial information for 2020)

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents (Note 12)	\$ 1,230,629	\$ 2,058,382
Government grants receivable	1,163,238	895,029
Contributions receivable, net (Notes 3 and 12)	748,549	637,832
Prepaid expenses and other assets (Notes 4 and 11)	70,720	95,366
Operating investments (Note 4)	7,682,747	7,340,016
Contributions receivable restricted to capital projects, net (Note 3)	27,185	69,685
Endowed investments (Notes 4 and 10)	1,300,000	1,000,000
Property and equipment, net (Note 6)	11,159,430	11,511,480
 Total assets	 <u>\$ 23,382,498</u>	 <u>\$ 23,607,790</u>
 <b><u>Liabilities and Net Assets</u></b>		
Liabilities:		
Accounts payable	\$ 252,213	\$ 194,707
Accrued expenses	917,044	995,566
Paycheck Protection Program Loan (Note 7)	-	1,355,000
 Total liabilities	 <u>1,169,257</u>	 <u>2,545,273</u>
Net assets:		
Without donor restrictions	15,587,935	14,386,770
With donor restrictions:		
Purpose/time (Note 8)	5,325,306	5,675,747
Perpetual (Note 10)	1,300,000	1,000,000
 Total net assets	 <u>22,213,241</u>	 <u>21,062,517</u>
 Total liabilities and net assets	 <u>\$ 23,382,498</u>	 <u>\$ 23,607,790</u>

See accompanying notes to financial statements.

## SEARCH HOMELESS SERVICES

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**YEAR ENDED JUNE 30, 2021**

**(with summarized financial information for 2020)**

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Contributions, revenue, and other support:				
Contributions	\$ 2,356,143	\$ 977,548	\$ 3,333,691	\$ 2,783,582
Federal grants and contracts	4,954,833	-	4,954,833	4,468,472
State grants and contracts	277,136	-	277,136	503,157
Other government grants and contracts	312,838	-	312,838	488,609
Private grants and contracts	617,503	-	617,503	704,662
Contributed merchandise	56,485	-	56,485	107,538
Special events (2021 net of direct expenses of \$69,241; 2020 net of direct expenses of \$51,955)	1,325,202	-	1,325,202	1,118,287
Federal loan forgiveness (Note 7)	1,355,000	-	1,355,000	-
Net investment income (Note 5)	882,136	-	882,136	160,596
Other income	35,531	-	35,531	99,134
Net assets released from restrictions (Note 8)	1,027,989	(1,027,989)	-	-
Total contributions, revenue, and other support	13,200,796	(50,441)	13,150,355	10,434,037
Expenses:				
Program services:				
Engagement and Stabilization	1,866,866	-	1,866,866	1,763,583
Education Child	1,428,719	-	1,428,719	1,767,124
Family Services	450,700	-	450,700	-
Housing Plus	6,513,241	-	6,513,241	6,338,664
Total program services	10,259,526	-	10,259,526	9,869,371
Supporting services:				
Management and general	1,112,527	-	1,112,527	1,024,849
Fundraising	277,674	-	277,674	261,336
Facilities	349,904	-	349,904	360,924
Total supporting services	1,740,105	-	1,740,105	1,647,109
Total expenses	11,999,631	-	11,999,631	11,516,480
Change in net assets	1,201,165	(50,441)	1,150,724	(1,082,443)
Net assets at beginning of year	14,386,770	6,675,747	21,062,517	22,144,960
Net assets at end of year	\$ 15,587,935	\$ 6,625,306	\$ 22,213,241	\$ 21,062,517

See accompanying notes to financial statements.

# SEARCH HOMELESS SERVICES

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2021 (with summarized financial information for 2020)

	Program Services				Supporting Services						
	Engagement and Stabilization	Education Child	Family Services	Housing Plus	Program Services Total	Management and General	Fundraising	Facilities	Supporting Services Total	Total	2020
Salaries	\$ 1,201,964	\$ 848,922	\$ 229,618	\$ 3,498,902	\$ 5,779,406	\$ 534,787	\$ 135,784	\$ 71,791	\$ 742,362	\$ 6,521,768	\$ 6,104,816
Employee benefits	250,227	181,071	53,290	795,907	1,280,495	94,633	20,984	18,272	133,889	1,414,384	1,404,036
Payroll taxes	92,669	67,012	17,669	267,203	444,553	40,189	10,322	5,377	55,888	500,441	465,265
<b>Total salaries and related expenses</b>	<b>1,544,860</b>	<b>1,097,005</b>	<b>300,577</b>	<b>4,562,012</b>	<b>7,504,454</b>	<b>669,609</b>	<b>167,090</b>	<b>95,440</b>	<b>932,139</b>	<b>8,436,593</b>	<b>7,974,117</b>
Direct assistance to individuals:											
Housing	9,584	-	54,536	987,276	1,051,396	-	-	-	-	1,051,396	1,005,349
Transportation	28,603	-	-	43,175	71,778	-	-	-	-	71,778	82,496
Donated direct assistance	29,040	16,112	180	11,152	56,484	-	-	-	-	56,484	107,538
Other	575	7,454	24,147	18,339	50,515	-	-	-	-	50,515	32,198
Food	9,898	21,083	3,722	5,639	40,342	-	-	-	-	40,342	51,741
Supplies	20,208	1,404	11,818	6,424	39,854	-	-	-	-	39,854	13,724
Medical assistance	-	-	-	-	-	-	-	-	-	-	7,200
Professional fees and contract services	23,667	7,827	27,652	689,233	748,379	168,888	28,936	2,937	200,761	949,140	933,278
Equipment and furniture	58,417	20,288	2,105	68,199	149,009	101,032	11,839	6,368	119,239	268,248	134,097
Utilities and maintenance	32,142	89,038	1,981	10,930	134,091	22,883	4,444	77,579	104,906	238,997	240,226
Telephone and other communications	20,054	9,588	3,303	33,159	66,104	37,131	3,874	3,840	44,845	110,949	108,136
Insurance and taxes	13,943	14,094	924	16,917	45,878	3,049	2,344	25,580	30,973	76,851	72,281
Travel and vehicle expense	6,934	7,407	1,303	6,859	22,503	195	130	28,400	28,725	51,228	45,593
Supplies	10,217	12,487	660	9,495	32,859	10,870	1,912	625	13,407	46,266	34,835
Training and conferences	6,013	2,275	15,671	2,090	26,049	9,739	1,219	60	11,018	37,067	49,605
Lease expense	-	19,051	-	-	19,051	-	-	7,800	7,800	26,851	34,589
Printing and publications	828	169	53	1,040	2,090	3,602	92	26	3,720	5,810	5,573
Postage	42	18	-	355	415	1,358	1,911	3	3,272	3,687	4,436
Interest expense	-	-	-	-	-	56	-	-	56	56	625
Miscellaneous	574	5,255	2,068	1,967	9,864	25,261	46,950	3,394	75,605	85,469	223,088
	1,815,599	1,330,555	450,700	6,474,261	10,071,115	1,053,673	270,741	252,052	1,576,466	11,647,581	11,160,725
Depreciation of property and equipment	51,267	98,164	-	38,980	188,411	58,854	6,933	97,852	163,639	352,050	355,755
<b>Total expenses</b>	<b>\$ 1,866,866</b>	<b>\$ 1,428,719</b>	<b>\$ 450,700</b>	<b>\$ 6,513,241</b>	<b>\$10,259,526</b>	<b>\$ 1,112,527</b>	<b>\$ 277,674</b>	<b>\$ 349,904</b>	<b>\$ 1,740,105</b>	<b>\$11,999,631</b>	<b>\$11,516,480</b>

See accompanying notes to financial statements.

## SEARCH HOMELESS SERVICES

### STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2021 (with comparative financial information for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,150,724	\$ (1,082,443)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	352,050	355,755
Payroll Protection Program Loan forgiveness	(1,355,000)	-
Write off of pledges receivable	15,000	-
Net change in present value adjustment on contributions receivable	157	(728)
Net unrealized and realized (gain) loss on investments	(779,978)	24,306
Changes in operating assets and liabilities:		
Contributions and grants receivable	(379,083)	54,394
Prepaid expenses and other assets	24,646	15,214
Accounts payable and accrued expenses	(21,016)	368,302
Net cash used by operating activities	(992,500)	(265,200)
Cash flows from investing activities:		
Purchases of equipment	-	(28,654)
Purchases of investments	(1,284,751)	(816,410)
Proceeds from sales of investments	1,421,998	832,161
Net cash provided (used) by investing activities	137,247	(12,903)
Cash flows from financing activities:		
Payments on note payable	-	(75,000)
Proceeds from note payable	-	75,000
Proceeds from Payroll Protection Program Loan	-	1,355,000
Proceeds from contributions restricted to capital projects	27,500	191,744
Net cash provided by financing activities	27,500	1,546,744
Net (decrease) increase in cash and cash equivalents	(827,753)	1,268,641
Cash and cash equivalents, beginning of year	2,058,382	789,741
Cash and cash equivalents, end of year	\$ 1,230,629	\$ 2,058,382
Supplemental disclosure of cash flow information -		
Cash paid for interest	\$ 56	\$ 625
Supplemental disclosure of non-cash operating activities -		
Contributed services and merchandise	\$ 39,854	\$ 107,538

See accompanying notes to financial statements.



# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### Note 1 - Description of Organization

For more than thirty years, SEARCH Homeless Services (SEARCH) has been serving those who are homeless with compassion, dignity, and respect. SEARCH was founded in 1989 by a group of community volunteers who were deeply concerned about Houston's growing homeless population. The organization began as a day shelter providing basic support services including showers, laundry, and hot meals to address the immediate needs of individuals living on the streets.

Since that time, SEARCH has evolved and grown into the leading organization in Houston providing case management services to help homeless individuals and families find their way back home. Through a combination of experience and evidence-based practices, SEARCH's staff engage people from the street, support their successful movement into stable housing, and once housed, build greater self-sufficiency through increased income, improved mental and physical health, and connection to community. Going beyond services that simply manage homelessness, SEARCH is working to end the homeless experience.

In working to make homelessness rare, brief, and nonrecurring, SEARCH is also a leader and key partner in The Way Home, a community-wide effort to end homelessness in Houston. Thanks to this collaboration of more than seventy homeless service providers, government agencies, and public and private funders, SEARCH and our community partners have reduced homelessness by more than half, housed over 23,000 individuals and families since 2011, and become a model for the rest of the nation in how to address homelessness. Due to SEARCH's depth of experience serving this vulnerable population, SEARCH fills multiple critical roles in The Way Home's system.

In pursuing SEARCH's mission of providing hope, creating opportunity, and transforming lives, our ultimate vision is a Houston without homelessness. SEARCH meets our clients where they are and helps them through each step of their journey from homelessness back to housing and stability through our core service areas:

*Engagement and Stabilization:* SEARCH's Outreach Team often serves as the first point of engagement for individuals living on the streets. Within our Outreach Team are Housing Assessors, who evaluate clients to assess and match housing needs. Once a client is approved for housing, SEARCH's Housing Navigators facilitate the process of finding and moving into a home. Additionally, our SOAR and PATH specialists help connect clients to disability benefits and mental health services that will help them to acquire better healthcare, increase their income, and improve their overall health, stability, and quality of life.

# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### Note 1 - Description of Organization (Continued)

*Education:* Started in 1992, SEARCH's House of Tiny Treasures (HTT) preschool provides an early childhood education to children, ages two to five, who have experienced the trauma of homelessness. By providing full-day, year-round care, HTT also provides much-needed support to parents endeavoring to get their lives back on track and helps them to be successful in their income and educational pursuits. A developmentally appropriate curriculum, nutritious meals, transportation, and intensive art, play, and speech therapy address students' needs and prepare them to be successful in kindergarten and beyond. With this stronger foundation, the second generation has a higher chance to catch up to more-advantaged children and to perform well in school and later in life. HTT also provides support and assistance for the parents, bringing stability to the entire family. By investing in the next generation, HTT is striving to break the intergenerational cycle of poverty and homelessness and help our at-risk students heal, thrive, and reach their full potential. HTT can serve up to sixty-four children at any given time.

*Family Services:* As the community strives to end family homelessness, SEARCH's new Family Services division provides families that are, or recently have been homeless, with support designed to strengthen and stabilize their lives. These families need assistance to help them obtain housing as quickly as possible and connect to other services to remain stably housed. SEARCH's Family Services Case Managers utilize two-generation approaches that emphasize supportive services in the areas of education, employment, economic support, social capital, and health and well-being to create a legacy of economic security that passes from one generation to the next.

*Housing Plus:* SEARCH utilizes the nationally recognized Housing First model, which is based on the premise that stable housing is the first step on a path toward self-sufficiency. Knowing that newly housed residents will need ongoing attention and guidance to stabilize their lives, improve their health, and remain in housing, SEARCH co-locates our staff members at the various housing sites to provide skilled case management for our clients. Once clients are housed, SEARCH case managers provide ongoing on-site case management, tailored specifically to each individual client, to help them gain greater stability and self-sufficiency and sustain their housing.

Ensuring that our clients have steady income is a key step in helping homeless individuals and families regain their stability. Once clients move into housing, SEARCH works with them to ensure that they have a stable source of income to support their daily, ongoing needs. Such income could come through employment, social security or disability benefits, or other resources. We also have integrated employment services into our housing programs to further assist our clients in achieving stability and self-sufficiency.

Today, SEARCH has more than 900 clients living in our various housing programs with whom we continue to work on an ongoing basis.

# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### Note 2 - Summary of Significant Accounting Policies

#### Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). SEARCH's resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor or grantor-imposed stipulations. Net assets without donor restrictions may be designated for specific purpose by action of the Board of Directors.
- *Net assets with donor restrictions* - Net assets subject to donor or grantor-imposed stipulations. Some restrictions are temporary in nature, such as those that will be met either by action and/or passage of time. Other restrictions are perpetual in nature, where the donors of these assets permit SEARCH to use all of, or part of, the income earned on the related investments for general and operating purposes.

#### 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 accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with SEARCH's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

#### Cash and Cash Equivalents

For the purposes of the statement of cash flows, SEARCH considers all investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2021 or 2020.

#### Contributions and Grants Receivable

Contributions are recorded as revenue in the year they are received unless they contain a conditional promise to give. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. SEARCH uses the allowance method to determine uncollectible amounts. The allowance is based on prior years' experience and management's analysis of specific promises to give.

# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Investments and Investment Income

Investments are recorded at fair value. Investment income is reported in the statement of activities and changes in net assets as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. It is SEARCH's policy to record investment income associated with net assets with donor restrictions as net assets without donor restrictions when expended in the same period.

#### Paycheck Protection Program Loan

The Paycheck Protection Program (PPP) Loan has been accounted for under the debt accounting model, whereby the loan proceeds and related interest are recorded as a liability. If the entity is legally released as the primary obligor on the debt, the liability is derecognized, resulting in a gain on loan extinguishment which is reflected as loan forgiveness on the statement of activities and changes in net assets in the year that such release occurs.

#### Property and Equipment

Property and equipment are recorded at cost if purchased or, if donated, at fair market value at the date of the gift. Depreciation is computed using the straight-line method over estimated useful lives of the assets ranging from three to thirty years. Individual items of furniture and equipment valued at less than \$2,000 are expensed.

#### Revenue Recognition

*Contributions* are recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are those that contain a measurable performance obligation or other barrier, as well as a right of return, and are not recognized until the conditions on which they depend have been met. At June 30, 2021 and 2020, SEARCH had no conditional contributions.

*Contributed property and equipment* are reflected at their estimated fair value at the date of receipt. Contributed property and equipment is recognized as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support and absent explicit donor stipulations about how long those long-lived assets must be maintained, are released from donor restrictions when the donated or acquired long-lived assets are placed in service.

# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition (Continued)

*Government grants* represent cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when SEARCH has incurred expenditures in compliance with specific contract or grant provisions. Any amounts received prior to incurring qualifying expenditures are reported as refundable advances. SEARCH was awarded cost-reimbursable grants of \$4,316,568 and \$3,750,277 that have not been recognized at June 30, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred. No advance payments were received as of June 30, 2021 or 2020.

*Special events revenue* is recognized when the event is held.

*Contributed merchandise* represents donations of furniture, clothing and merchandise which are valued at the estimated fair market value at the date of receipt and recorded as a contribution and expense.

*Contributed services* that meet the revenue recognition requirements of GAAP are recorded at estimated fair value when received. To be recognized as revenue, the donated services must either (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of volunteers, including the Board of Directors, have made significant contributions of time to SEARCH's policy making, program, and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

#### Net Assets with Donor Restrictions: Purpose/Time

SEARCH records contributions as net assets with donor restrictions: purpose/time if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. It is SEARCH's policy to record contributions with donor restrictions received and expended in the same period as net assets without donor restrictions.

# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Expenses which are directly associated with a particular program are charged to that program. Management and general includes administration, finance, operations, IT and program support activities. Fundraising includes the development department and costs associated with raising contributions. Facilities includes costs of maintaining the property and equipment and leases, which are not allocated to specific programs. Expenses that cannot be directly identified with a specific program are charged to the various programs based upon salaries, square footage, or other reasonable methods for allocating multiple program expenditures.

#### Income Taxes

SEARCH is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business activities. GAAP requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. Management of SEARCH believes that all significant tax positions utilized by SEARCH would more likely than not be sustained upon examination. As of June 30, 2021, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2018 forward (with limited exceptions). There are no examinations for any tax periods currently in progress.

#### Use of Estimates

Financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

#### Reclassifications

Certain amounts in the 2020 statement of financial position, statement of cash flows, and notes to financial statements have been reclassified to conform with the current year's presentation. These reclassifications had no impact on the changes in net assets or net asset classifications.

# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

### Note 3 - Contributions Receivable

Contributions receivable at June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
One year	\$ 727,309	\$ 649,934
Two to five years	<u>50,000</u>	<u>59,000</u>
Total contributions receivable	777,309	708,934
Discount to present value, 3.25% interest rate	<u>(1,575)</u>	<u>(1,417)</u>
Total contributions receivable, net	<u>\$ 775,734</u>	<u>\$ 707,517</u>
Contribution receivable, net	\$ 748,549	\$ 637,832
Contribution receivable restricted to capital projects, net	<u>27,185</u>	<u>69,685</u>
Total contributions receivable, net	<u>\$ 775,734</u>	<u>\$ 707,517</u>

The discount will be recognized as contribution income as the discount is amortized using an effective yield over the duration of the contribution. Uncollectible contributions receivable are expected to be minimal, and therefore, no allowance was made for uncollectible amounts at June 30, 2021 or 2020.

### Note 4 - Fair Value Measurements

GAAP requires that certain assets and liabilities be reported at fair value. Fair value is 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 reporting date. GAAP characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the organization has the ability to access as of the reporting date.

Level 2 - Other significant observable inputs, including quoted prices for similar assets or liabilities in active markets or in markets not considered to be active.

Level 3 - Inputs that are not observable and are significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

### Note 4 - Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis at June 30, 2021 and 2020. There have been no changes in methodologies used at June 30, 2021 from June 30, 2020.

Mutual funds and exchange traded funds are valued at the year-end closing price as reported on the active market in which the individual securities are traded.

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 management believes the 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.

Financial instruments measured at fair value on a recurring basis at June 30, 2021 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds:				
Domestic equity	\$ 1,241,043	\$ -	\$ -	\$ 1,241,043
Foreign equity	558,016	-	-	558,016
Fixed income	<u>256,840</u>	<u>-</u>	<u>-</u>	<u>256,840</u>
Total exchange traded funds	<u>2,055,899</u>	<u>-</u>	<u>-</u>	<u>2,055,899</u>
Mutual funds:				
Domestic equity	699,797	-	-	699,797
Foreign equity	405,720	-	-	405,720
Fixed income	833,079	-	-	833,079
Multi-strategy	258,016	-	-	258,016
Money market	<u>4,730,236</u>	<u>-</u>	<u>-</u>	<u>4,730,236</u>
Total mutual funds	<u>6,926,848</u>	<u>-</u>	<u>-</u>	<u>6,926,848</u>
Total assets at fair value	<u>\$ 8,982,747</u>	<u>-</u>	<u>-</u>	<u>\$ 8,982,747</u>



# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

### Note 4 - Fair Value Measurements (Continued)

Financial instruments measured at fair value on a recurring basis at June 30, 2020 were as follows:

	Level 1	Level 2	Level 3	Total
Exchange traded funds:				
Domestic equity	\$ 976,268	\$ -	\$ -	\$ 976,268
Foreign equity	330,751	-	-	330,751
Fixed income	194,928	-	-	194,928
Total exchange traded funds	1,501,947	-	-	1,501,947
Mutual funds:				
Domestic equity	566,227	-	-	566,227
Foreign equity	160,424	-	-	160,424
Fixed income	717,494	-	-	717,494
Multi-strategy	200,200	-	-	200,200
Money market	5,193,724	-	-	5,193,724
Total mutual funds	6,838,069	-	-	6,838,069
Total assets at fair value	\$ 8,340,016	-	-	\$ 8,340,016

### Note 5 - Investment Return

Return on investments consists of the following at June 30:

	2021	2020
Interest and dividends	\$ 122,374	\$ 173,766
Net unrealized gain (loss)	715,833	(631)
Net realized gain	64,145	413
Advisory fees	(20,216)	(12,952)
Total investment return, net	\$ 882,136	\$ 160,596

# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### Note 6 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 2,751,288	\$ 2,751,288
Building	7,196,717	7,196,717
Child care facility	2,366,523	2,366,523
Equipment and furniture	658,843	658,843
Computer software	18,411	18,411
Vehicles	<u>381,901</u>	<u>381,901</u>
Total at cost	13,373,683	13,373,683
Less: accumulated depreciation	<u>(2,214,253)</u>	<u>(1,862,203)</u>
Total property and equipment, net	<u>\$ 11,159,430</u>	<u>\$ 11,511,480</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$352,050 and \$355,755, respectively.

### Note 7 - Paycheck Protection Program Loan

On April 17, 2020, SEARCH obtained a \$1,355,000 PPP Loan, which was established under the CARES Act and is administered by the U.S. Small Business Administration (SBA). The PPP Loan is eligible for forgiveness upon meeting certain requirements and is being accounted for under the debt accounting model. On January 28, 2021, SEARCH was notified that the SBA had approved the PPP Loan for forgiveness. Accordingly, debt forgiveness of \$1,355,000 has been recognized as income in the statement of activities for the year ended June 30, 2021.

## SEARCH HOMELESS SERVICES

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

**Note 8 - Net Assets with Donor Restrictions: Purpose/Time**

At June 30, net assets with donor restrictions: purpose/time are available for the following:

	<b>2021</b>	<b>2020</b>
Homeless Families	\$ 4,420,270	\$ 4,802,375
Engagement Services	396,876	294,793
Housing Plus Services	166,700	7,308
Capital Campaign - Other	135,419	176,754
House of Tiny Treasures	98,196	19,527
Capital Campaign - Construction	50,530	50,530
Navigators	18,367	30,132
Volunteer Projects	12,663	13,000
Furniture Fund	11,382	26,561
Family First	10,000	-
Client Pet Expenses	4,903	4,903
Timing Restrictions	-	150,000
COVID Relief	-	93,542
Client Assistance	-	5,590
Snacks for House of Tiny Treasures	-	732
Total net assets with donor restrictions: purpose/time	<b>\$ 5,325,306</b>	<b>\$ 5,675,747</b>

**Note 9 - Net Assets Released From Restrictions**

Net assets were released from restrictions during 2021 and 2020 by incurring expenses satisfying the restricted purposes specified by the donor as follows:

	<b>2021</b>	<b>2020</b>
Homeless Families	\$ 382,105	\$ 238,345
Engagement Services	287,906	312,867
Timing Restrictions	150,000	-
COVID Relief	93,542	1,458
Navigators	53,100	250,000
House of Tiny Treasures	19,527	76,868
Furniture Fund	15,179	20,910
Volunteer Projects	13,000	18,220
Housing Plus Services	7,308	78,198
Client Assistance	5,590	710
Snacks for House of Tiny Treasures	732	769
Information Technology Projects	-	13,121
Client Pet Expenses	-	97
Total net assets released from restrictions	<b>\$ 1,027,989</b>	<b>\$ 1,011,563</b>

# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### Note 10 - Endowment Funds

SEARCH's endowment consists of a \$1,000,000 fund established in March 2006 by the Swalm Foundation and a \$300,000 fund established in July 2020 by the Rolke Family. Both endowment funds are for the general operations of SEARCH.

*Interpretation of Relevant Law* - The Board of Directors of SEARCH has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SEARCH classifies as perpetual with donor restrictions net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by SEARCH in a manner consistent with the standard of prudence prescribed by TUPMIFA.

*Return Objectives and Risk Parameters* - Endowment funds are maintained in an investment account which is managed by an independent financial firm that follows guidance provided in an investment policy approved by the Board of Directors. SEARCH has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that are at least five percentage points more than the rate of inflation as measured by the Consumer Price Index. To satisfy its long-term rate-of-return objectives, SEARCH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SEARCH targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Actual returns in any given year may vary from this amount.

*Spending Policy* - In accordance with TUPMIFA, SEARCH considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of SEARCH and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of SEARCH
- The investment policies of SEARCH

# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

### Note 10 - Endowment Funds (Continued)

SEARCH has adopted a policy whereby endowed amounts greater than the original corpus may be distributed upon Board of Directors' approval. In establishing this policy, SEARCH considered the long-term expected return on its endowment. No appropriations were made in 2021 and \$1,500 were made in 2020.

#### *Endowment Net Asset Composition and Changes*

As of June 30, 2021, endowment net assets consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity	\$ -	\$ 1,300,000	\$ 1,300,000
Accumulated investment gains	773,551	-	773,551
Total endowment net assets	\$ 773,551	\$ 1,300,000	\$ 2,073,551

The changes in endowment funds for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
		Purpose/Time	
		Perpetual	
Endowment net assets, June 30, 2020	\$ 359,524	\$ -	\$ 1,000,000
Contributions	-	-	300,000
Investment income	61,167	-	-
Net appreciation of investments	362,460	-	-
Investment management fees	(9,599)	-	-
Endowment net assets, June 30, 2021	\$ 773,551	\$ -	\$ 1,300,000

As of June 30, 2020, endowment net assets consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity	\$ -	\$ 1,000,000	\$ 1,000,000
Accumulated investment gains	359,524	-	359,524
Total endowment net assets	\$ 359,524	\$ 1,000,000	\$ 1,359,524

# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

### Note 10 - Endowment Funds (Continued)

The changes in endowment funds for the year ended June 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Perpetual</u>	<u>Total</u>
		<u>Purpose/Time</u>		
Endowment net assets, June 30, 2019	\$ 319,349	\$ -	\$ 1,000,000	\$ 1,319,349
Investment income	40,769	-	-	40,769
Net appreciation of investments	8,098	-	-	8,098
Appropriations	(1,500)	-	-	(1,500)
Investment management fees	(7,192)	-	-	(7,192)
Endowment net assets, June 30, 2020	<u>\$ 359,524</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 1,359,524</u>

*Funds with Deficiencies* - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires SEARCH to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021 or 2020.

### Note 11 - Commitments and Contingencies

#### Lease Commitments

SEARCH has entered into apartment, office equipment and ground operating leases that are non-cancelable and expiring at various times through 2045. Lease expense for the years ended June 30, 2021 and 2020 was \$839,050 and \$932,581, respectively. Minimum future lease commitments under these operating leases are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2022	\$ 175,481
2023	22,501
2024	22,501
2025	22,501
2026	23,131
Thereafter	<u>483,645</u>
Total	<u>\$ 749,760</u>

#### Retirement Plan

SEARCH maintains a defined contribution plan that provides benefits for all eligible employees. SEARCH contributes 2% of eligible employees' compensation plus a matching contribution equal to 50% of the employee's contribution with a maximum match of 2% per year. Contributions of \$181,219 and \$165,036 by SEARCH were charged to expense during the years ended June 30, 2021 and 2020, respectively.

# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### Note 11 - Commitments and Contingencies (Continued)

#### Grant Programs

SEARCH receives significant financial assistance from federal and state government agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits would become a liability of SEARCH. However, in the opinion of management, potential disallowed claims, if any, would not have a material effect on the financial statements.

#### Building Purchase Agreement

In May 2021, SEARCH entered into an agreement to purchase a building for \$8,000,000. Under the terms of the amended purchase agreement, the closing date must be the earlier of (1) fifteen days after SEARCH closes on the sale of its current property, or (2) December 15, 2021. In addition, should the seller receive a bona-fide offer to purchase the property from another third party, the seller has the right to accelerate the closing date. In connection with this purchase agreement, SEARCH has committed \$25,000 in earnest money which is reflected in prepaid expenses and other assets on the statement of financial position as of June 30, 2021.

### Note 12 - Concentrations of Credit Risk

#### Contributions

At June 30, 2021, contributions receivable totaling \$531,000 from four donors were in excess individually of 10% of gross total contributions receivable. At June 30, 2020, contributions receivable totaling \$317,000 from two donors were in excess individually of 10% gross total contributions receivable.

#### Cash in Excess of FDIC Insurance

SEARCH maintains its cash balances in a financial institution where at times, the bank deposits in the financial institution exceed the prevailing federally insured limit per depositor per banking institution. The maximum loss that would have resulted from excess of the total deposits reported by the financial institution over the federally insured amount as of June 30, 2021 and 2020 totaled \$1,075,366 and \$1,843,225, respectively. SEARCH requires the financial institution with which it does business to provide collateral for amounts exceeding federal insurance coverage. Shares of a pool of mortgage-backed securities were pledged as collateral at June 30, 2021 and 2020 in the amount of \$3,131,076 and \$4,587,494, respectively.

# SEARCH HOMELESS SERVICES

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 13 - Liquidity and Availability of Resources

The following table reflects SEARCH's financial assets at June 30, 2021 and 2020, reduced by amounts not anticipated to be available for general expenditure within one year of the statement of financial position date. Financial assets are considered unavailable when illiquid or they are not convertible to cash within one year.

	<u>2021</u>	<u>2020</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 1,230,629	\$ 2,058,382
Government grants receivable	1,163,238	895,029
Contributions receivable	727,309	649,934
Investments	<u>8,982,747</u>	<u>8,340,016</u>
Total financial assets available within one year	12,103,923	11,943,361
Amounts unavailable for general expenditure within one year:		
Amounts with donor restrictions - purpose/time	(5,325,306)	(5,675,747)
Amounts with donor restrictions - perpetual	<u>(1,300,000)</u>	<u>(1,000,000)</u>
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 5,478,617</u>	<u>\$ 5,267,614</u>

Management regularly monitors liquidity required to meet operational needs and other contractual commitments. SEARCH has various sources of liquidity, including access to accumulated investment gains of \$773,551 from the endowment funds. For cash flow purposes, SEARCH has a committed demand note in the amount of \$1 million expiring August 1, 2022, which it could draw upon in the event of an unanticipated liquidity need.

### Note 14 - Subsequent Events

Management has evaluated subsequent events through November 18, 2021, the date which the financial statements were available to be issued. Management has determined that all significant subsequent events have been recognized or disclosed in these financial statements.

**\* \* \* End of Notes \* \* \***