

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH

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FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2014 AND 2013

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH

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# BROOKS, MCGINNIS & COMPANY, LLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Housing Initiative of North Fulton, Inc.  
d/b/a HomeStretch:

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

We have audited the accompanying financial statements of Housing Initiative of North Fulton, Inc. d/b/a HomeStretch (the Agency) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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 these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Initiative of North Fulton, Inc. d/b/a HomeStretch as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Brooks, McInnis & Company, LLC*

Atlanta, Georgia  
September 19, 2014

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013

ASSETS	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 308,235	\$ 196,874
Accounts receivable	-	6,046
Grants and contracts receivable	16,415	34,543
Pledges receivable, net	23,148	31,678
Prepaid expenses	5,305	4,876
Property and equipment, net	2,005,727	1,774,128
Other assets	354	779
Deferred financing costs, net	<u>689</u>	<u>740</u>
Total assets	<u>\$ 2,359,873</u>	<u>\$ 2,049,664</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 35,516	\$ 21,158
Line of credit and short-term note payable	65,477	69,931
Deferred revenue	<u>6,310</u>	<u>7,590</u>
Total liabilities	<u>107,303</u>	<u>98,679</u>
Commitments and contingencies		
Net assets:		
Unrestricted	2,122,376	1,841,915
Temporarily restricted	<u>130,194</u>	<u>109,070</u>
Total net assets	<u>2,252,570</u>	<u>1,950,985</u>
Total liabilities and net assets	<u>\$ 2,359,873</u>	<u>\$ 2,049,664</u>

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

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
Revenues, gains and other support:				
Grants and contracts	\$ 46,439	\$ 38,000	\$ 84,439	\$ 118,131
United Way	46,203	28,033	74,236	37,702
Contributions	224,052	165,634	389,686	458,784
Special events, net of expenses of \$62,822 and \$46,568	125,287	-	125,287	112,069
In-kind contributions	56,737	-	56,737	65,055
Rental income	145,492	-	145,492	111,331
Other	(1,018)	-	(1,018)	6,753
Provision for uncollectible pledge	3,250	(3,250)	-	-
Net assets released from restrictions	207,293	(207,293)	-	-
Total revenues, gains and other support	<u>853,735</u>	<u>21,124</u>	<u>874,859</u>	<u>909,825</u>
Expenses:				
Program services	588,947	-	588,947	528,561
Supporting services:				
Administration	143,948	-	143,948	145,313
Fundraising	109,379	-	109,379	81,277
Total expenses	<u>842,274</u>	<u>-</u>	<u>842,274</u>	<u>755,151</u>
Increase in net assets	11,461	21,124	32,585	154,674
Net assets, beginning of year	1,841,915	109,070	1,950,985	1,796,311
Transfer of HUD property	269,000	-	269,000	-
Net assets, end of year	<u>\$ 2,122,376</u>	<u>\$ 130,194</u>	<u>\$ 2,252,570</u>	<u>\$ 1,950,985</u>

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

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	2013 Total
Revenues, gains and other support:			
Grants and contracts	\$ 118,131	\$ -	\$ 118,131
United Way	9,414	28,288	37,702
Contributions	217,485	241,299	458,784
Special events, net of expenses of \$46,568	112,069	-	112,069
In-kind contributions	65,055	-	65,055
Rental income	111,331	-	111,331
Other	6,753	-	6,753
Net assets released from restrictions	296,641	(296,641)	-
 Total revenues, gains and other support	 936,879	 (27,054)	 909,825
 Expenses:			
Program services	528,561	-	528,561
Supporting services:			
Administration	145,313	-	145,313
Fundraising	81,277	-	81,277
Total expenses	755,151	-	755,151
 Increase (decrease) in net assets	 181,728	 (27,054)	 154,674
 Net assets, beginning of year	 1,660,187	 136,124	 1,796,311
 Net assets, end of year	 \$ 1,841,915	 \$ 109,070	 \$ 1,950,985

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

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	Program Services			Supporting Services			2014 Total	2013 Total
	Transitional Housing	Affordable Housing	Total Program	Management and General	Fundraising	Total Supporting		
Salaries	\$ 163,056	\$ 40,764	\$ 203,820	\$ 71,516	\$ 82,243	\$ 153,759	\$ 357,579	\$ 301,336
Payroll tax and benefits	35,718	8,930	44,648	5,337	21,346	26,683	71,331	59,149
Family contingency assistance	6,040	1,510	7,550	-	-	-	7,550	6,873
Utilities	39,826	9,956	49,782	-	-	-	49,782	43,991
Repairs and maintenance	52,312	13,078	65,390	-	-	-	65,390	71,557
Property management	4,973	1,243	6,216	-	-	-	6,216	6,216
Office and equipment rental	19,318	4,830	24,148	9,073	-	9,073	33,221	24,615
Insurance	16,278	4,070	20,348	2,706	-	2,706	23,054	19,711
Client workshops and volunteer services	31,542	7,885	39,427	-	-	-	39,427	24,993
Interest	1,646	412	2,058	2,058	-	2,058	4,116	4,763
Printing and postage	6,422	1,605	8,027	5,707	-	5,707	13,734	7,748
Donated client supplies	11,086	2,772	13,858	-	-	-	13,858	18,164
Office expense	3,562	890	4,452	2,968	-	2,968	7,420	7,735
Professional fees	-	-	-	23,394	4,768	28,162	28,162	45,755
Advertising	-	-	-	2,053	-	2,053	2,053	3,379
Dues and subscriptions	-	-	-	2,835	-	2,835	2,835	2,575
Travel and training	1,946	486	2,432	2,385	1,022	3,407	5,839	6,341
Telephone	6,842	-	6,842	7,538	-	7,538	14,380	11,745
Bank charges and payroll service fees	2,349	587	2,936	2,215	-	2,215	5,151	4,723
Vehicles	1,889	472	2,361	-	-	-	2,361	3,325
Bad debt expense	-	-	-	3,964	-	3,964	3,964	-
Other expenses	-	-	-	148	-	148	148	689
Total expenses before depreciation	404,805	99,490	504,295	143,897	109,379	253,276	757,571	675,383
Depreciation	67,722	16,930	84,652	51	-	51	84,703	79,768
Total expenses	\$ 472,527	\$ 116,420	\$ 588,947	\$ 143,948	\$ 109,379	\$ 253,327	\$ 842,274	\$ 755,151

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

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services			Supporting Services			2013 Total
	Transitional Housing	Affordable Housing	Total Program	Management and General	Fundraising	Total Supporting	
Salaries	\$ 136,022	\$ 47,792	\$ 183,814	\$ 66,294	\$ 51,228	\$ 117,522	\$ 301,336
Payroll tax and benefits	26,700	9,381	36,081	13,013	10,055	23,068	59,149
Family contingency assistance	5,086	1,787	6,873	-	-	-	6,873
Utilities	32,553	11,438	43,991	-	-	-	43,991
Repairs and maintenance	52,952	18,605	71,557	-	-	-	71,557
Property management	4,600	1,616	6,216	-	-	-	6,216
Office and equipment rental	10,747	3,776	14,523	10,092	-	10,092	24,615
Insurance	12,360	4,343	16,703	3,008	-	3,008	19,711
Client workshops and volunteer services	18,495	6,498	24,993	-	-	-	24,993
Interest	1,762	619	2,381	2,382	-	2,382	4,763
Printing and postage	2,867	1,007	3,874	3,874	-	3,874	7,748
Donated client supplies	13,441	4,723	18,164	-	-	-	18,164
Office expense	5,350	1,880	7,230	505	-	505	7,735
Professional fees	-	-	-	25,761	19,994	45,755	45,755
Advertising	-	-	-	3,379	-	3,379	3,379
Dues and subscriptions	-	-	-	2,575	-	2,575	2,575
Travel and training	2,801	984	3,785	2,556	-	2,556	6,341
Telephone	4,607	1,618	6,225	5,520	-	5,520	11,745
Bank charges and payroll service fees	542	190	732	3,991	-	3,991	4,723
Vehicles	2,460	865	3,325	-	-	-	3,325
Other expenses	-	-	-	689	-	689	689
Total expenses before depreciation	333,345	117,122	450,467	143,639	81,277	224,916	675,383
Depreciation	57,790	20,304	78,094	1,674	-	1,674	79,768
Total expenses	\$ 391,135	\$ 137,426	\$ 528,561	\$ 145,313	\$ 81,277	\$ 226,590	\$ 755,151

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

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 32,585	\$ 154,674
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	84,703	79,768
Loss (gain) on sale of equipment	1,041	(2,518)
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	6,046	3,707
Grants and contracts receivable	18,128	(9,387)
Pledges receivable, not for long-term purposes	8,530	6,393
Prepaid expenses	(429)	(1,733)
Other assets	425	(408)
Increase (decrease) in:		
Accounts payable and accrued expenses	14,358	(14,806)
Deferred revenue	(1,280)	6,400
Total adjustments	131,522	67,416
Net cash provided by operating activities	164,107	222,090
Cash flows from investing activities:		
Proceeds from sale of equipment	-	2,700
Purchase of building	-	(143,091)
Purchase of equipment and building improvements	(48,292)	(76,304)
Net cash used in investing activities	(48,292)	(216,695)
Cash flows from financing activities:		
Debt issuance cost	-	(770)
Borrowings on line of credit	-	76,400
Repayments on line of credit	(4,454)	(80,034)
Net cash used in financing activities	(4,454)	(4,404)
Net increase in cash and cash equivalents	111,361	991
Cash and cash equivalents, beginning of year	196,874	195,883
Cash and cash equivalents, end of year	\$ 308,235	\$ 196,874
Supplemental disclosure of cash flow information:		
Noncash investing transaction - Transfer of HUD property	\$ 269,000	\$ -
Noncash financing transaction - Cash paid for interest	\$ 4,116	\$ 4,763

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

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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1. Nature of Organization and Accounting Policies

Nature of Organization

Housing Initiative of North Fulton, Inc. d/b/a HomeStretch (the Agency) is a nonprofit organization whose purpose is to assist working families in north Fulton County, Georgia, who are homeless or at risk of becoming homeless due to lack of affordable housing in the area. The Agency provides eligible families with housing and supportive services, helping them resolve barriers to permanent sustainable housing.

The Home Ministries Fund of the North Fulton Community Charities was established during 1991 to help provide affordable housing in north Fulton and to help satisfy the need for transitional placements. As of February 1, 1993, the Home Ministries became a separate entity under the name of Housing Initiative of North Fulton, Inc. The Board approved the Agency's use of the name HomeStretch on February 13, 1996.

Basis of Accounting

The accompanying 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). Under GAAP, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred.

Basis of Presentation

The Agency records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. The Agency is also required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2014 and 2013 was \$2,053 and \$3,379, respectively.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Rental Income

The Agency provides housing on a rental basis to low income families in the Roswell, Georgia area. Rental income is recognized when earned.

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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1. Nature of Organization and Significant Accounting Policies – Continued

Contributions

In accordance with GAAP, unconditional promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of donor restrictions.

The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Tax Exempt Status

The Agency is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Income from certain activities not directly related to the Agency's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income for the years ended June 30, 2014 and 2013. In the opinion of management, the Agency continues to operate as a tax-exempt organization, and accordingly, no provision for federal or state income taxes has been recorded in the accompanying financial statements. Management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions (defined as positions which are deemed "more-likely-than-not" to be unsustainable under audit) that are material to the financial statements. The Agency's income tax returns are subject to examination by the appropriate regulatory authorities. The Agency's federal tax returns for the three previous years remain open to examination.

Property and equipment are stated at cost or, if donated, estimated fair value at time of donation. Depreciation is computed by the straight-line method over the estimated useful lives as stated below. At June 30, 2014, the estimated useful lives of property and equipment were as follows:

Vehicles	5 years
Buildings and improvements	15 - 40 years
Furniture, fixtures and equipment	5 - 7 years

The Agency follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. The fair value of donated fixed assets is similarly capitalized.

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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1. Nature of Organization and Significant Accounting Policies – Continued

Donated Equipment, Material, Supplies and Services

Donations of property and equipment are recorded as support at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time.

All non-cash gifts (other than personal services) are recorded at their estimated fair value at date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In addition, a substantial number of volunteers have donated significant amounts of their time to the Agency’s program and supporting services. Since these services do not meet the GAAP criteria noted above, no amounts have been recognized in the financial statements for those volunteer services.

The Agency received donated goods and services as follows for the years ended June 30:

	2014	2013
Donated client supplies	\$ 13,858	\$ 18,164
Repairs and maintenance	24,754	37,166
Rent	14,400	6,000
Professional fees	3,725	3,725
Total	\$ 56,737	\$ 65,055

Cash and Cash Equivalents and Concentration of Credit Risk

The Agency considers all cash investments and highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of demand deposits with two financial institutions. The uninsured portion of the Agency’s bank accounts, as reflected in the banks’ records at June 30, 2014, totaled \$64,108. The balances in the Agency’s bank accounts were fully insured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2013.

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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1. Nature of Organization and Significant Accounting Policies – Continued

Long-Lived Assets

The Agency evaluates its long-lived assets held for use in operations, including real estate, for indicators for impairment and, if impaired, records such assets at the lower of cost or fair value as described in GAAP. There were no impairment losses during the years ended June 30, 2014 and 2013.

Grants and Contracts

The Agency received approximately 10% and 13%, respectively, of its funding through various governmental agencies for the years ended June 30, 2014 and 2013. The majority of the grant funding is through the U.S. Department of Housing and Urban Development (HUD) that is passed through and administered by Fulton County and the Georgia Housing and Finance Authority. Receivables arise from fees for services provided under and to a lesser extent, reimbursement owed through these government contracts. The Agency's ability to collect amounts due is affected by the outside agencies' acceptance of reimbursable expenses and performance-based outcomes, which meet contract requirements.

In addition, the Agency depends heavily on contributions and grants for its revenue. The ability of certain of the Agency's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon overall economic conditions. While the Agency's Board of Directors believes the Agency has the resources to continue its program, its ability to do so and the extent to which it continues may be dependent on the above factors.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Deferred Revenue

Certain grants require the Agency to perform specific services to earn the related revenue. In some cases, cash payments are received from the grantor in advance of the Agency performing the related services. Accordingly, grant revenue proceeds received related to services to be performed in future periods are deferred on the statements of financial position and recognized as revenue in the statement of activities in the year when earned. Income from special events is deferred and recognized in the period when the special event takes place. As of June 30, 2014 and 2013, deferred revenue was \$6,310 and \$7,590, respectively.

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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1. Nature of Organization and Significant Accounting Policies – Continued

Allowance for Doubtful Accounts

The Agency uses an allowance method to determine uncollectible grants and contracts. The allowance is based on prior years' experience and management's analysis of specific promises made and amounts billed and to be reimbursed. All grants and contract receivable were considered collectible at June 30, 2014 and 2013, and accordingly, no allowance for doubtful accounts was recorded.

2. Grants and Contracts Receivable

At June 30, grants and contracts receivable consist of the following:

	2014	2013
United Way - EFSP	\$ 727	\$ -
Fulton County - Community Development Block Grant	-	18,500
HUD - Supportive Housing Program	15,688	16,043
	\$ 16,415	\$ 34,543

3. Pledges Receivable, Net

The Agency initiated a "Circle of 500" fundraising campaign in October 2009, primarily for the purpose of raising monies to help with program services provided to HomeStretch families. Total campaign pledges through June 30, 2014 and 2013 were \$95,000 and \$90,000, of which the Agency estimates \$90,250 and \$81,000 will be collected, respectively, and was recorded in temporarily restricted contributions in the statement of activities. The Agency also receives indirect pledge contributions from the United Way.

Pledges receivable consisted of the following as of June 30:

	2014	2013
Circle of 500 pledges receivable, net of uncollectible amounts	\$ 90,250	\$ 81,000
Total payments against pledges	(73,180)	(54,870)
	17,070	26,130
Present value discount (5% effective rate)	(1,985)	(3,059)
Circle of 500 pledges receivable, net	15,085	23,071
United Way - indirect contributions	8,063	8,607
Pledges receivable, net	\$ 23,148	\$ 31,678

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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3. Pledges Receivable, Net – Continued

The Agency anticipates that approximately \$15,191 of the outstanding pledges receivable will be collected within one year with the remaining balance to be collected within 4 years.

4. Property and Equipment, Net

Property and equipment, net consists of the following at June 30:

	2014	2013
Land and land improvements	\$ 225,106	\$ 178,031
Housing units and improvements	2,455,231	2,203,276
Furniture and equipment	134,095	124,882
Vehicles	6,345	1,490
Total property and land at cost	2,820,777	2,507,679
Less accumulated depreciation	(815,050)	(733,551)
Property and equipment, net	\$ 2,005,727	\$ 1,774,128

The land and land improvements and housing units and improvements are restricted for use only in the HUD housing program under grants described in Note 9.

5. Line of Credit

The Agency has a line of credit with a local financial institution. The line of credit has a limit of \$150,000 with a variable interest rate equal to the bank's prime rate plus 1.25% with a minimum rate of 5% and maximum rate of 20%. The interest rate was 5% at June 30, 2014 and 2013. The outstanding balance of the line of credit as of June 30, 2014 and 2013 was \$65,477 and \$69,931, respectively. Principal plus any accrued interest was due on July 23, 2014. However, management refinanced the outstanding balance effective July 14, 2014. The principal (plus any accrued interest) is now due in full at July 23, 2015.

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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6. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of funds the Agency has received subject to donor-imposed restrictions consisting of the following at June 30:

	2014	2013
Pledges receivable (see Note 3)	\$ 23,148	\$ 31,678
Purpose restrictions:		
Family contingency	17,599	13,799
Life skills	44,718	59,833
Property cleanup and community enrichment	8,229	-
Family and youth development	1,500	3,760
Centrino new project funds	35,000	-
	107,046	77,392
Temporarily restricted net assets	\$ 130,194	\$ 109,070

Net assets in the amount of \$207,293 and \$296,641 were released from donor restrictions during the years ended June 30, 2014 and 2013, respectively, by satisfying the restricted purposes.

7. Retirement Plan

The Agency maintains a Savings Incentive Match (SIMPLE IRA) Plan for its employees. Participation in the plan is voluntary and is available to all employees receiving \$5,000 or more in annual compensation. The Agency has elected to match employee contributions up to 3% of total employee compensation. Employer contributions for the years ended June 30, 2014 and 2013, totaled \$7,634 and \$5,964, respectively.

8. Operating Lease Commitments

The Agency extended their operating leases for office space effective August 1, 2012. The terms of the new lease is month-to-month basis with a 60 day termination notice. The new monthly rent is \$1,450 per month. The Agency also has a non-cancelable operating lease for office equipment. The future minimum lease payments for all non-cancelable leases with initial or remaining terms in excess of one year are as follows:

Year ended June 30,		
2015	\$	2,230
2016		929
	\$	3,159

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9. Commitments and Contingencies

Grants and contracts often require fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of the Agency deems the contingency unlikely. The grants and contracts are subject to audit by the grantor, or in the case of federal, state or local funds, the related governmental unit or agency. They have the authority to determine liabilities or limit or suspend participation in the various sponsored programs.

In addition, the Agency has obtained grants that enabled them to either purchase or renovate the majority of the housing units and improvements detailed in Note 4. These grants require the funds to be converted to debt if the Agency changes the use of the facilities within a prescribed period. The primary compliance requirements are prescribed by HUD and require use as temporary housing for low income families. The following schedule shows the years in which these compliance requirements will expire and the loans will be forgiven:

Year ended June 30,	
2016	\$ 87,266
2018	53,850
2020	627,000
2021	120,000
2022	52,961
2023	269,000
2028	107,333
	\$ 1,317,410

10. Donated Rent

In February 2013, the Agency signed an operating lease with an unrelated third-party to lease a residential home to be used as part of their housing program. Under the terms of the lease, the Agency would pay the original homeowner \$1 per month during the one year lease term. The Agency has recorded the fair market value of the home's monthly rental value as an in-kind contribution. This fair market rental value is included in the table of donated goods and services in Note 1.

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11. Transfer of HUD Property

During the year, the Agency acquired a triplex from Find a Way Home, Inc., a Georgia nonprofit organization. These additional units were operated under the same HUD program as the Agency's other properties. As part of the transfer, the Agency assumed the potential indebtedness of \$269,000 and agreed to continue to rent the properties in accordance with the HUD program requirements. The Agency's obligation to operate these properties is included in Note 9.

12. Subsequent Event

Subsequent events were evaluated through September 19, 2014, which is the date the financial statements were available to be issued. There was no impact on the Agency's financial statements as a result.