

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

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2016 AND 2015

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

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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, 2016 and 2015, 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 audits 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, 2016 and 2015, 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
October 20, 2016

HOUSING INITIATIVE OF NORTH FULTON, INC.
d/b/a HOMESTRETCH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 209,746	\$ 306,522
Grants and contracts receivable	130,450	94,423
Pledges receivable, net	64,062	12,475
Prepaid expenses	15,183	15,349
Property and equipment, net	2,570,969	2,076,613
Deposits	<u>498</u>	<u>345</u>
Total assets	<u>\$ 2,990,908</u>	<u>\$ 2,505,727</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 40,680	\$ 31,836
Note payable	403,453	-
Deferred revenue	<u>16,360</u>	<u>8,720</u>
Total liabilities	<u>460,493</u>	<u>40,556</u>
Commitments and contingencies		
Net assets:		
Unrestricted	2,387,153	2,356,568
Temporarily restricted	<u>143,262</u>	<u>108,603</u>
Total net assets	<u>2,530,415</u>	<u>2,465,171</u>
Total liabilities and net assets	<u>\$ 2,990,908</u>	<u>\$ 2,505,727</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, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Revenues, gains and other support:				
Grants and contracts	\$ 54,144	\$ 111,449	\$ 165,593	\$ 99,199
United Way	24,721	34,544	59,265	81,067
Contributions	244,538	117,158	361,696	356,551
Special events, net of expenses of \$73,938 and \$98,213	190,545	-	190,545	213,271
In-kind contributions	68,999	-	68,999	62,864
Rental income	203,370	-	203,370	157,556
Other loss	(2,806)	-	(2,806)	(1,291)
Net assets released from restrictions	228,492	(228,492)	-	-
	1,012,003	34,659	1,046,662	969,217
Total revenues, gains and other support				
Expenses:				
Program services	714,040	-	714,040	596,452
Supporting services:				
Administration	150,922	-	150,922	151,513
Fundraising	116,456	-	116,456	108,651
Total expenses	981,418	-	981,418	856,616
Increase in net assets	30,585	34,659	65,244	112,601
Net assets, beginning of year	2,356,568	108,603	2,465,171	2,252,570
Transfer of HUD property	-	-	-	100,000
Net assets, end of year	\$ 2,387,153	\$ 143,262	\$ 2,530,415	\$ 2,465,171

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, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Grants and contracts	\$ 58,866	\$ 40,333	\$ 99,199
United Way	42,955	38,112	81,067
Contributions	308,040	48,511	356,551
Special events, net of expenses of \$98,213	213,271	-	213,271
In-kind contributions	62,864	-	62,864
Rental income	157,556	-	157,556
Other loss	(1,291)	-	(1,291)
Net assets released from restrictions	148,547	(148,547)	-
 Total revenues, gains and other support	990,808	(21,591)	969,217
 Expenses:			
Program services	596,452	-	596,452
Supporting services:			
Administration	151,513	-	151,513
Fundraising	108,651	-	108,651
Total expenses	856,616	-	856,616
 Increase in net assets	134,192	(21,591)	112,601
 Net assets, beginning of year	2,122,376	130,194	2,252,570
 Transfer of HUD property	100,000	-	100,000
 Net assets, end of year	\$ 2,356,568	\$ 108,603	\$ 2,465,171

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, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Program Services			Supporting Services			2016 Total	2015 Total
	Transitional Housing	Affordable Housing	Total Program	Management and General	Fundraising	Total Supporting		
Salaries	\$ 133,065	\$ 104,552	\$ 237,617	\$ 71,340	\$ 90,721	\$ 162,061	\$ 399,678	\$ 374,648
Payroll tax and benefits	22,340	17,552	39,892	5,649	25,735	31,384	71,276	72,232
Family contingency assistance	8,940	7,024	15,964	-	-	-	15,964	12,962
Board expense	-	-	-	615	-	615	615	-
Utilities	30,750	24,160	54,910	-	-	-	54,910	47,884
Repairs and maintenance	57,550	45,218	102,768	-	-	-	102,768	52,136
Property management	6,791	5,336	12,127	-	-	-	12,127	6,216
Office and equipment rental	14,804	11,632	26,436	10,900	-	10,900	37,336	36,187
Insurance	16,726	13,141	29,867	4,379	-	4,379	34,246	22,278
Client workshops and volunteer services	7,959	6,254	14,213	476	-	476	14,689	-
Interest	27	22	49	49	-	49	98	1,048
Printing and postage	165	130	295	296	-	296	591	2,904
Donated client supplies	15,831	12,439	28,270	-	-	-	28,270	22,827
Office expense	6,678	5,247	11,925	7,950	-	7,950	19,875	20,368
Professional fees	-	-	-	23,900	-	23,900	23,900	23,105
Advertising	-	-	-	6,672	-	6,672	6,672	5,149
Dues and subscriptions	-	-	-	3,294	-	3,294	3,294	2,409
Travel and training	794	623	1,417	5,097	-	5,097	6,514	9,409
Telephone	12,002	-	12,002	4,005	-	4,005	16,007	15,983
Bank charges and payroll service fees	2,227	1,750	3,977	3,000	-	3,000	6,977	7,835
Vehicles	944	741	1,685	-	-	-	1,685	5,590
Bad debt expense	-	-	-	3,300	-	3,300	3,300	125
Mortgage interest and taxes	-	19,221	19,221	-	-	-	19,221	-
Other expenses	-	-	-	-	-	-	-	549
Total expenses before depreciation	337,593	275,042	612,635	150,922	116,456	267,378	880,013	763,382
Depreciation	56,787	44,618	101,405	-	-	-	101,405	93,234
Total expenses	\$ 394,380	\$ 319,660	\$ 714,040	\$ 150,922	\$ 116,456	\$ 267,378	\$ 981,418	\$ 856,616

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, 2015

	Program Services			Supporting Services			Total
	Transitional Housing	Affordable Housing	Total Program	Management and General	Fundraising	Total Supporting	
Salaries	\$ 165,875	\$ 49,547	\$ 215,422	\$ 74,930	\$ 84,296	\$ 159,226	\$ 374,648
Payroll tax and benefits	32,177	9,611	41,788	6,089	24,355	30,444	72,232
Family contingency assistance	9,981	2,981	12,962	-	-	-	12,962
Utilities	36,871	11,013	47,884	-	-	-	47,884
Repairs and maintenance	40,145	11,991	52,136	-	-	-	52,136
Property management	4,786	1,430	6,216	-	-	-	6,216
Office and equipment rental	20,356	6,080	26,436	9,751	-	9,751	36,187
Insurance	15,070	4,502	19,572	2,706	-	2,706	22,278
Client workshops and volunteer services	16,584	4,954	21,538	-	-	-	21,538
Interest	403	121	524	524	-	524	1,048
Printing and postage	1,118	334	1,452	1,452	-	1,452	2,904
Donated client supplies	17,577	5,250	22,827	-	-	-	22,827
Office expense	9,410	2,811	12,221	8,147	-	8,147	20,368
Professional fees	-	-	-	23,105	-	23,105	23,105
Advertising	-	-	-	5,149	-	5,149	5,149
Dues and subscriptions	-	-	-	2,409	-	2,409	2,409
Travel and training	2,626	785	3,411	5,998	-	5,998	9,409
Telephone	8,824	-	8,824	7,159	-	7,159	15,983
Bank charges and payroll service fees	3,439	1,027	4,466	3,369	-	3,369	7,835
Vehicles	4,304	1,286	5,590	-	-	-	5,590
Bad debt expense	-	-	-	125	-	125	125
Other expenses	-	-	-	549	-	549	549
Total expenses before depreciation	389,546	113,723	503,269	151,462	108,651	260,113	763,382
Depreciation	71,751	21,432	93,183	51	-	51	93,234
Total expenses	\$ 461,297	\$ 135,155	\$ 596,452	\$ 151,513	\$ 108,651	\$ 260,164	\$ 856,616

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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 65,244	\$ 112,601
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	101,405	93,234
Loss on sale of equipment	3,108	1,478
Change in assets and liabilities:		
(Increase) decrease in:		
Grants and contracts receivable	(36,027)	(78,008)
Pledges receivable	(51,587)	10,673
Prepaid expenses	166	(10,044)
Other assets	(153)	9
Increase (decrease) in:		
Accounts payable and accrued expenses	8,844	(3,680)
Deferred revenue	7,640	2,410
Total adjustments	<u>33,396</u>	<u>16,072</u>
Net cash provided by operating activities	<u>98,640</u>	<u>128,673</u>
Cash flows from investing activities:		
Purchase of equipment and building improvements	<u>(598,869)</u>	<u>(64,909)</u>
Net cash used in investing activities	<u>(598,869)</u>	<u>(64,909)</u>
Cash flows from financing activities:		
Borrowings on notes payable	476,000	-
Repayments on notes payable	<u>(72,547)</u>	<u>(65,477)</u>
Net cash used in financing activities	<u>403,453</u>	<u>(65,477)</u>
Net decrease in cash and cash equivalents	(96,776)	(1,713)
Cash and cash equivalents, beginning of year	<u>306,522</u>	<u>308,235</u>
Cash and cash equivalents, end of year	<u>\$ 209,746</u>	<u>\$ 306,522</u>
Supplemental disclosure of cash flow information:		
Noncash investing transaction -		
Transfer of HUD property	<u>\$ -</u>	<u>\$ 100,000</u>
Noncash financing transaction -		
Cash paid for interest	<u>\$ 17,362</u>	<u>\$ 1,048</u>

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, 2016 AND 2015

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, 2016 and 2015 was \$6,672 and \$5,149, 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, 2016 AND 2015

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 exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. 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. Income from certain activities not directly related to the Agency's tax exempt purpose is subject to taxation as unrelated business income. Management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Agency's income tax returns are subject to examination by the appropriate regulatory authorities, and as of June 30, 2016, the Agency's tax returns remain open to examination typically for the last three years.

Property and Equipment

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, 2016, 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 \$1,500. 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, 2016 AND 2015

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:

	2016	2015
Donated client supplies	\$ 28,270	\$ 22,827
Repairs and maintenance	22,729	21,882
Rent	14,400	14,400
Professional fees	3,600	3,755
Total	\$ 68,999	\$ 62,864

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 a single financial institution. The uninsured portion of the Agency’s bank accounts, as reflected in the banks’ records at June 30, 2016 and 2015, totaled \$0 and \$67,550, respectively .

HOUSING INITIATIVE OF NORTH FULTON, INC.
d/b/a HOMESTRETCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 and 2015.

Grants and Contracts

The Agency received approximately 16% and 10% of its funding through various governmental agencies for the years ended June 30, 2016 and 2015, respectively. 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, 2016 and 2015, deferred revenue was \$16,360 and \$8,720, respectively.

HOUSING INITIATIVE OF NORTH FULTON, INC.
d/b/a HOMESTRETCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 and 2015, and accordingly, no allowance for doubtful accounts was recorded.

Reclassification

Amounts previously reported have been reclassified to conform to current year financial statement presentation.

2. Grants and Contracts Receivable

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

	2016	2015
United Way - EFSP	\$ -	\$ 875
Community Foundation	-	40,000
FRESH grant	-	40,333
HUD - Supportive Housing Program	9,000	13,215
Fulton County CSP	111,450	-
Wells Fargo Foundation	10,000	-
	\$ 130,450	\$ 94,423

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, 2016 and 2015 were \$133,500 and \$97,500, of which the Agency estimates \$126,825 and \$92,625 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.

HOUSING INITIATIVE OF NORTH FULTON, INC.
d/b/a HOMESTRETCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

3. Pledges Receivable, Net – Continued

Pledges receivable consisted of the following as of June 30:

	2016	2015
Circle of 500 pledges receivable, net of uncollectible amounts	\$ 126,825	\$ 92,625
Total payments against pledges	(94,800)	(83,790)
	32,025	8,835
Present value discount (5% effective rate)	(4,497)	(1,203)
Circle of 500 pledges receivable, net	27,528	7,632
United Way - indirect contributions	6,534	4,843
Roswell Presbyterian Church	30,000	-
Pledges receivable, net	\$ 64,062	\$ 12,475

The Agency anticipates that approximately \$14,809 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:

	2016	2015
Land and land improvements	\$ 505,106	\$ 225,106
Housing units and improvements	2,930,046	2,611,175
Furniture and equipment	112,904	136,876
Vehicles	8,279	8,279
Total property and land at cost	3,556,335	2,981,436
Less accumulated depreciation	(985,366)	(904,823)
Property and equipment, net	\$ 2,570,969	\$ 2,076,613

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 10.

HOUSING INITIATIVE OF NORTH FULTON, INC.
d/b/a HOMESTRETCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

5. Notes Payable

The following is a summary of notes payable at June 30:

	2016	2015
Fixed 4.35% mortgage note payable with monthly principal and interest installments due thru August 2025. All remaining penalty and interest installments are due September 2025.	\$ 403,453	\$ -

Principal maturities of debt required under this agreement subsequent to year ended June 30, 2016 are as follows:

<u>For the year ended June 30,</u>	
2017	\$ 15,992
2018	16,702
2019	17,443
2020	18,217
2021	19,026
Thereafter	316,073
	\$ 403,453

The interest expense incurred on notes payable for the years ended June 30, 2016 and 2015 is \$17,362 and \$0, respectively.

6. 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, 2016 and 2015. There were no borrowings or outstanding balances on this line of credit for the years ended June 30, 2016 and 2015. The line of credit was renewed subsequent to year-end with a new maturity date of July 2017.

HOUSING INITIATIVE OF NORTH FULTON, INC.
d/b/a HOMESTRETCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

7. 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:

	2016	2015
Pledges receivable (see Note 3)	\$ 34,198	\$ 12,475
Purpose restrictions:		
Family contingency	22,702	8,363
Life skills	9,226	17,907
Property cleanup and community enrichment	26,249	1,652
Family and youth development	50,887	32,861
Centrino new project funds	-	35,000
Other projects	-	345
	109,064	96,128
Temporarily restricted net assets	\$ 143,262	\$ 108,603

Net assets in the amount of \$228,492 and \$148,547 were released from donor restrictions during the years ended June 30, 2016 and 2015, respectively, by satisfying the restricted purposes.

8. 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, 2016 and 2015, totaled \$11,835 and \$8,564, respectively.

9. 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 \$1,700 per month. The Agency also has a non-cancelable operating lease for office equipment.

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9. Operating Lease Commitments – Continued

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,	
2017	\$ 2,275
2018	2,275
2019	2,275
2020	2,275
	\$ 9,100

10. 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,	
2018	\$ 53,850
2020	627,000
2021	120,000
2022	39,721
2023	265,134
2028	92,000
	\$ 1,197,705

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11. 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.

12. Transfer of HUD Property

As part of Find a Way Home's plan of dissolution, the Agency acquired a condominium property from Find a Way Home, Inc., a former Georgia nonprofit organization that promoted long term affordable housing in that area. In the prior year, the Agency also received a triplex from Find a Way Home, Inc. These properties were operated under the same HUD program as the Agency's other properties. For the year ended June 30, 2015, the Agency assumed the potential indebtedness of \$36,000. The Agency renovated the condominium property and is currently renting it out to low income residents of Roswell. The Agency's obligation to operate the condominium property is included in Note 10.

13. Subsequent Event

Subsequent events have been evaluated through October 20, 2016, which is the date the financial statements were available to be issued. There were no significant subsequent events requiring recognition or disclosure in the financial statements other than the renewal of the line of credit discussed in Note 6.