

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

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FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, 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, McAnnis & Company, LLC*

Atlanta, Georgia  
October 19, 2017

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 559,573	\$ 209,746
Grants and contracts receivable	5,000	130,450
Pledges receivable, net	39,072	64,062
Prepaid expenses	5,164	15,183
Property and equipment, net	2,471,934	2,570,969
Deposits	100	498
Total assets	\$ 3,080,843	\$ 2,990,908
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 22,771	\$ 40,680
Deferred revenue	12,420	16,360
Note payable	268,351	403,453
Total liabilities	303,542	460,493
Commitments and contingencies		
<b>Net assets:</b>		
Unrestricted	2,584,183	2,357,289
Temporarily restricted	193,118	173,126
Total net assets	2,777,301	2,530,415
Total liabilities and net assets	\$ 3,080,843	\$ 2,990,908

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, 2017  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenues, gains and other support:				
Grants and contracts	\$ 16,693	\$ 52,500	\$ 69,193	\$ 165,593
United Way	48,453	13,199	61,652	59,265
Contributions	300,740	301,512	602,252	361,696
Special events, net of expenses of \$83,768 and \$73,938	198,401	-	198,401	190,545
In-kind contributions	109,371	-	109,371	68,999
Rental income	258,366	-	258,366	203,370
Other gain (loss)	6,687	-	6,687	(2,806)
Net assets released from restrictions	347,219	(347,219)	-	-
 Total revenues, gains and other support	 <u>1,285,930</u>	 <u>19,992</u>	 <u>1,305,922</u>	 <u>1,046,662</u>
Expenses:				
Program services	758,632	-	758,632	714,040
Supporting services:				
Administration	183,106	-	183,106	150,922
Fundraising	117,298	-	117,298	116,456
Total expenses	<u>1,059,036</u>	<u>-</u>	<u>1,059,036</u>	<u>981,418</u>
Increase in net assets	226,894	19,992	246,886	65,244
Net assets, beginning of year	2,357,289	173,126	2,530,415	2,465,171
Net assets, end of year	<u>\$ 2,584,183</u>	<u>\$ 193,118</u>	<u>\$ 2,777,301</u>	<u>\$ 2,530,415</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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Grants and contracts	\$ 54,144	\$ 111,449	\$ 165,593
United Way	24,721	34,544	59,265
Contributions	214,674	147,022	361,696
Special events, net of expenses of \$73,938 and \$98,213	190,545	-	190,545
In-kind contributions	68,999	-	68,999
Rental income	203,370	-	203,370
Other loss	(2,806)	-	(2,806)
Net assets released from restrictions	<u>228,492</u>	<u>(228,492)</u>	<u>-</u>
Total revenues, gains and other support	<u>982,139</u>	<u>64,523</u>	<u>1,046,662</u>
Expenses:			
Program services	714,040	-	714,040
Supporting services:			
Administration	150,922	-	150,922
Fundraising	<u>116,456</u>	<u>-</u>	<u>116,456</u>
Total expenses	<u>981,418</u>	<u>-</u>	<u>981,418</u>
Increase in net assets	721	64,523	65,244
Net assets, beginning of year	2,356,568	108,603	2,465,171
Net assets, end of year	<u>\$ 2,357,289</u>	<u>\$ 173,126</u>	<u>\$ 2,530,415</u>

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, 2017  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	Program Services			Supporting Services			2017 Total	2016 Total
	Transitional Housing	Affordable Housing	Total Program	Management and General	Fundraising	Total Supporting		
Salaries	\$ 137,233	\$ 95,365	\$ 232,598	\$ 69,775	\$ 85,264	\$ 155,039	\$ 387,637	\$ 399,678
Payroll tax and benefits	24,407	16,961	41,368	7,032	32,034	39,066	80,434	71,276
Family contingency assistance	39,357	-	39,357	-	-	-	39,357	15,964
Board expense	-	-	-	386	-	386	386	615
Utilities	54,670	5,237	59,907	-	-	-	59,907	54,910
Repairs and maintenance	104,167	13,920	118,087	-	-	-	118,087	102,768
Property management	7,716	9,066	16,782	-	-	-	16,782	12,127
Office and property rental	26,436	-	26,436	13,809	-	13,809	40,245	37,336
Insurance	12,019	10,800	22,819	10,100	-	10,100	32,919	34,246
Client workshops and volunteer services	6,789	4,718	11,507	960	-	960	12,467	14,689
Printing and postage	357	248	605	605	-	605	1,210	591
Donated client supplies	16,359	11,368	27,727	-	-	-	27,727	28,270
Office expense	8,224	3,033	11,257	10,411	-	10,411	21,668	19,875
Professional fees	-	-	-	45,840	-	45,840	45,840	23,900
Advertising	-	-	-	10,347	-	10,347	10,347	6,672
Dues and subscriptions	-	-	-	3,300	-	3,300	3,300	3,294
Travel and training	1,803	-	1,803	3,515	-	3,515	5,318	6,514
Telephone	11,005	-	11,005	3,670	-	3,670	14,675	16,007
Bank charges and payroll service fees	2,638	1,834	4,472	2,981	-	2,981	7,453	6,977
Vehicles	1,933	1,343	3,276	-	-	-	3,276	1,685
Bad debt expense	-	-	-	375	-	375	375	3,300
Mortgage interest and taxes	-	24,422	24,422	-	-	-	24,422	19,319
Total expenses before depreciation	455,113	198,315	653,428	183,106	117,298	300,404	953,832	880,013
Depreciation	56,100	49,104	105,204	-	-	-	105,204	101,405
Total expenses	\$ 511,213	\$ 247,419	\$ 758,632	\$ 183,106	\$ 117,298	\$ 300,404	\$ 1,059,036	\$ 981,418

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

	Program Services			Supporting Services			2016 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
Payroll tax and benefits	22,340	17,552	39,892	5,649	25,735	31,384	71,276
Family contingency assistance	8,940	7,024	15,964	-	-	-	15,964
Board expense	-	-	-	615	-	615	615
Utilities	30,750	24,160	54,910	-	-	-	54,910
Repairs and maintenance	57,550	45,218	102,768	-	-	-	102,768
Property management	6,791	5,336	12,127	-	-	-	12,127
Office and property rental	14,804	11,632	26,436	10,900	-	10,900	37,336
Insurance	16,726	13,141	29,867	4,379	-	4,379	34,246
Client workshops and volunteer services	7,959	6,254	14,213	476	-	476	14,689
Printing and postage	165	130	295	296	-	296	591
Donated client supplies	15,831	12,439	28,270	-	-	-	28,270
Office expense	6,678	5,247	11,925	7,950	-	7,950	19,875
Professional fees	-	-	-	23,900	-	23,900	23,900
Advertising	-	-	-	6,672	-	6,672	6,672
Dues and subscriptions	-	-	-	3,294	-	3,294	3,294
Travel and training	794	623	1,417	5,097	-	5,097	6,514
Telephone	12,002	-	12,002	4,005	-	4,005	16,007
Bank charges and payroll service fees	2,227	1,750	3,977	3,000	-	3,000	6,977
Vehicles	944	741	1,685	-	-	-	1,685
Bad debt expense	-	-	-	3,300	-	3,300	3,300
Mortgage interest and taxes	27	19,243	19,270	49	-	49	19,319
Total expenses before depreciation	337,593	275,042	612,635	150,922	116,456	267,378	880,013
Depreciation	56,787	44,618	101,405	-	-	-	101,405
Total expenses	\$ 394,380	\$ 319,660	\$ 714,040	\$ 150,922	\$ 116,456	\$ 267,378	\$ 981,418

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 246,886	\$ 65,244
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	105,204	101,405
Net loss on sale of equipment	1,063	3,108
Change in assets and liabilities:		
(Increase) decrease in:		
Grants and contracts receivable	125,450	(36,027)
Pledges receivable	24,990	(51,587)
Prepaid expenses	10,019	166
Other assets	398	(153)
Increase (decrease) in:		
Accounts payable and accrued expenses	(17,909)	8,844
Deferred revenue	(3,940)	7,640
Total adjustments	<u>245,275</u>	<u>33,396</u>
Net cash provided by operating activities	<u>492,161</u>	<u>98,640</u>
Cash flows from investing activities:		
Purchase of equipment and building improvements	<u>(7,232)</u>	<u>(598,869)</u>
Net cash used in investing activities	<u>(7,232)</u>	<u>(598,869)</u>
Cash flows from financing activities:		
Borrowings on notes payable	-	476,000
Repayments on notes payable	<u>(135,102)</u>	<u>(72,547)</u>
Net cash provided by (used in) financing activities	<u>(135,102)</u>	<u>403,453</u>
Net increase (decrease) in cash and cash equivalents	349,827	(96,776)
Cash and cash equivalents, beginning of year	<u>209,746</u>	<u>306,522</u>
Cash and cash equivalents, end of year	<u>\$ 559,573</u>	<u>\$ 209,746</u>
Supplemental disclosure of cash flow information:		
Noncash financing transaction -		
Cash paid for interest	<u>\$ 15,190</u>	<u>\$ 17,362</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, 2017 AND 2016

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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, 2017 and 2016 was \$10,347 and \$6,672, 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, 2017 AND 2016

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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 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, 2017, 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, 2017, 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, 2017 AND 2016

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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:

	2017	2016
Donated client supplies	\$ 33,309	\$ 28,270
Repairs and maintenance	37,097	22,729
Rent	14,400	14,400
Professional fees	24,565	3,600
Total	\$ 109,371	\$ 68,999

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 bank’s records at June 30, 2017 and 2016, totaled \$315,372 and \$0, respectively.

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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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, 2017 and 2016.

Grants and Contracts

The Agency received approximately 5% and 16% of its funding through various governmental agencies for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, deferred revenue was \$12,420 and \$16,360, respectively.

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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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, 2017 and 2016, and accordingly, no allowance for doubtful accounts was recorded.

Reclassification

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

Classification Corrections

Net assets have been restated to properly reflect temporarily restricted net assets for the year ended June 30, 2016. Contributions of \$29,864 previously reported as unrestricted contributions have been reported as temporarily restricted contributions in the 2016 statement of activities. As a result, temporarily restricted net assets increased by \$29,864 and unrestricted net assets decreased by \$29,864 at June 30, 2016. Note 7 has also been restated due to this reclassification.

2. Grants and Contracts Receivable

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

	2017	2016
City of Sandy Springs	\$ 5,000	\$ -
HUD - Supportive Housing Program	-	9,000
Fulton County CSP	-	111,450
Wells Fargo Foundation	-	10,000
	\$ 5,000	\$ 130,450

HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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, 2017 and 2016 were \$141,000 and \$133,500, of which the Agency estimates \$133,950 and \$126,825 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:

	<u>2017</u>	<u>2016</u>
Circle of 500 pledges receivable, net of uncollectible amounts	\$ 133,950	\$ 126,825
Total payments against pledges	<u>(108,400)</u>	<u>(94,800)</u>
	25,550	32,025
Present value discount (5% effective rate)	<u>(1,877)</u>	<u>(4,497)</u>
Circle of 500 pledges receivable, net	23,673	27,528
United Way - indirect contributions	3,749	6,534
Roswell Presbyterian Church	<u>11,650</u>	<u>30,000</u>
Pledges receivable, net	<u>\$ 39,072</u>	<u>\$ 64,062</u>

The Agency anticipates that approximately \$26,136 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:

	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 505,106	\$ 505,106
Housing units and improvements	2,935,627	2,930,046
Furniture and equipment	61,447	112,904
Vehicles	<u>6,789</u>	<u>8,279</u>
Total property and land at cost	3,508,969	3,556,335
Less accumulated depreciation	<u>(1,037,035)</u>	<u>(985,366)</u>
Property and equipment, net	<u>\$ 2,471,934</u>	<u>\$ 2,570,969</u>

As described in Note 10, the majority of the land, land improvements and housing units and improvements are restricted for use only in the HUD housing program under grants.



HOUSING INITIATIVE OF NORTH FULTON, INC.  
d/b/a HOMESTRETCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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5. Notes Payable

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

	2017	2016
Fixed 4.35% mortgage note payable with monthly principal and interest installments due thru August 2025. All remaining principal and interest installments are due September 2025.	\$ 268,351	\$ 403,453

Principal maturities of debt required under this agreement subsequent to year ended June 30, 2017 are as follows:

For the year ended June 30,		
2018	\$	25,553
2019		25,842
2020		26,988
2021		28,185
2022		29,437
Thereafter		132,346
	\$	268,351

The interest expense incurred on notes payable for the years ended June 30, 2017 and 2016 is \$15,190 and \$17,362, respectively.

6. Line of Credit

The Agency has a line of credit with a 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%. The interest rate was 5% at June 30, 2017 and 2016. There were no borrowings or outstanding balances on this line of credit for the years ended June 30, 2017 and 2016. The line of credit maturity date was extended to July 2018.

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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:

	2017	Restated 2016
Pledges receivable (see Note 3)	\$ 39,072	\$ 64,062
Purpose restrictions:		
Family contingency	70,604	22,702
Life skills	4,982	9,226
Property enhancement and community enrichment	68,948	26,249
Family and youth development	9,512	50,887
	154,046	109,064
Temporarily restricted net assets	\$ 193,118	\$ 173,126

Net assets in the amount of \$347,219 and \$228,492 were released from donor restrictions during the years ended June 30, 2017 and 2016, 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, 2017 and 2016, totaled \$10,970 and \$11,835, respectively.

9. Operating Lease Commitments

The Agency extended their operating leases for office space effective August 1, 2012. The office space lease is on a month-to-month basis with a 60 day termination notice. The monthly rent is \$1,700 per month. The Agency also has operating leases for office equipment and a storage unit on a month to month basis. Lease expense for years ended June 30, 2017 and 2016, totaled \$28,121 and \$25,287, respectively.

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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		33,102
2023		107,603
2024		28,000
2028		84,332
	\$	1,053,887

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. Subsequent Event

Subsequent events have been evaluated through October 19, 2017, 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.