

HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)

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FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018 AND 2017

HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of HomeStretch, Inc.:

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

We have audited the accompanying financial statements of HomeStretch, Inc. (the Agency) (a nonprofit organization formerly known as Housing Initiative of North Fulton, Inc.), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 HomeStretch, Inc. as of June 30, 2018 and 2017, 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.

Atlanta, Georgia  
October 18, 2018

*Brooks, McInnis & Company, LLC*

HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 633,835	\$ 559,573
Grants and contracts receivable	-	5,000
Pledges receivable, net	41,848	39,072
Prepaid expenses	5,196	5,164
Property and equipment, net	2,427,474	2,471,934
Intangible assets, net	12,700	-
Deposits	<u>100</u>	<u>100</u>
Total assets	<u>\$ 3,121,153</u>	<u>\$ 3,080,843</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 39,651	\$ 22,771
Deferred revenue	2,500	12,420
Note payable	<u>189,684</u>	<u>268,351</u>
Total liabilities	<u>231,835</u>	<u>303,542</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	2,675,520	2,584,183
With donor restrictions	<u>213,798</u>	<u>193,118</u>
Total net assets	<u>2,889,318</u>	<u>2,777,301</u>
Total liabilities and net assets	<u>\$ 3,121,153</u>	<u>\$ 3,080,843</u>

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

HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2018</u> <u>Total</u>	<u>2017</u> <u>Total</u>
Revenues, gains and other support:				
Grants and contracts	\$ 8,977	\$ 98,010	\$ 106,987	\$ 69,193
United Way	46,619	20,000	66,619	61,652
Contributions	289,498	223,549	513,047	602,252
Special events, net of expenses of \$69,642 and \$83,768	172,174	-	172,174	198,401
In-kind contributions	106,323	-	106,323	109,371
Rental income	281,014	-	281,014	258,366
Other gain (loss)	(1,006)	-	(1,006)	6,687
Net assets released from restrictions	<u>320,879</u>	<u>(320,879)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>1,224,478</u>	<u>20,680</u>	<u>1,245,158</u>	<u>1,305,922</u>
Expenses:				
Program services	799,141	-	799,141	758,632
Supporting services:				
Administration	246,808	-	246,808	183,106
Fundraising	87,192	-	87,192	117,298
Total expenses	<u>1,133,141</u>	<u>-</u>	<u>1,133,141</u>	<u>1,059,036</u>
Increase in net assets	91,337	20,680	112,017	246,886
Net assets, beginning of year	<u>2,584,183</u>	<u>193,118</u>	<u>2,777,301</u>	<u>2,530,415</u>
Net assets, end of year	<u>\$ 2,675,520</u>	<u>\$ 213,798</u>	<u>\$ 2,889,318</u>	<u>\$ 2,777,301</u>

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

HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2017</u> <u>Total</u>
Revenues, gains and other support:			
Grants and contracts	\$ 16,693	\$ 52,500	\$ 69,193
United Way	48,453	13,199	61,652
Contributions	300,740	301,512	602,252
Special events, net of expenses of \$83,768	198,401	-	198,401
In-kind contributions	109,371	-	109,371
Rental income	258,366	-	258,366
Other gain	6,687	-	6,687
Net assets released from restrictions	<u>347,219</u>	<u>(347,219)</u>	<u>-</u>
Total revenues, gains and other support	<u>1,285,930</u>	<u>19,992</u>	<u>1,305,922</u>
Expenses:			
Program services	758,632	-	758,632
Supporting services:			
Administration	183,106	-	183,106
Fundraising	<u>117,298</u>	<u>-</u>	<u>117,298</u>
Total expenses	<u>1,059,036</u>	<u>-</u>	<u>1,059,036</u>
Increase in net assets	226,894	19,992	246,886
Net assets, beginning of year	<u>2,357,289</u>	<u>173,126</u>	<u>2,530,415</u>
Net assets, end of year	<u>\$ 2,584,183</u>	<u>\$ 193,118</u>	<u>\$ 2,777,301</u>

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

HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	Program Services			Supporting Services			2018 Total	2017 Total
	Transitional Housing	Affordable Housing	Total Program	Management and General	Fundraising	Total Supporting		
Salaries	\$ 156,727	\$ 108,912	\$ 265,639	\$ 132,819	\$ 59,540	\$ 192,359	\$ 457,998	\$ 387,637
Payroll tax and benefits	31,733	22,052	53,785	11,295	27,652	38,947	92,732	80,434
Family contingency assistance	45,758	-	45,758	-	-	-	45,758	39,357
Board expense	-	-	-	1,207	-	1,207	1,207	386
Utilities	53,353	4,776	58,129	-	-	-	58,129	59,907
Repairs and maintenance	96,739	13,900	110,639	146	-	146	110,785	118,087
Property management	7,127	11,086	18,213	-	-	-	18,213	16,782
Office and property rental	31,381	-	31,381	9,654	-	9,654	41,035	40,245
Insurance	16,824	9,239	26,063	6,640	-	6,640	32,703	32,919
Client workshops and volunteer services	5,194	3,610	8,804	1,365	-	1,365	10,169	12,467
Printing and postage	208	144	352	352	-	352	704	1,210
Donated client supplies	8,723	6,062	14,785	-	-	-	14,785	27,727
Office expense	9,326	6,480	15,806	15,806	-	15,806	31,612	21,668
Professional fees	-	-	-	40,802	-	40,802	40,802	45,840
Advertising	-	-	-	10,731	-	10,731	10,731	10,347
Dues and subscriptions	-	-	-	4,500	-	4,500	4,500	3,300
Travel and training	3,508	-	3,508	3,475	-	3,475	6,983	5,318
Telephone	10,763	-	10,763	3,878	-	3,878	14,641	14,675
Bank charges and payroll service fees	2,778	1,930	4,708	3,812	-	3,812	8,520	7,453
Vehicles	1,299	903	2,202	-	-	-	2,202	3,276
Bad debt expense	-	-	-	-	-	-	-	375
Mortgage interest and taxes	-	24,059	24,059	-	-	-	24,059	24,422
Total expenses before depreciation and amortization	481,441	213,153	694,594	246,482	87,192	333,674	1,028,268	953,832
Depreciation and amortization	61,683	42,864	104,547	326	-	326	104,873	105,204
Total expenses	\$ 543,124	\$ 256,017	\$ 799,141	\$ 246,808	\$ 87,192	\$ 334,000	\$ 1,133,141	\$ 1,059,036

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



HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services			Supporting Services			2017 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
Payroll tax and benefits	24,407	16,961	41,368	7,032	32,034	39,066	80,434
Family contingency assistance	39,357	-	39,357	-	-	-	39,357
Board expense	-	-	-	386	-	386	386
Utilities	54,670	5,237	59,907	-	-	-	59,907
Repairs and maintenance	104,167	13,920	118,087	-	-	-	118,087
Property management	7,716	9,066	16,782	-	-	-	16,782
Office and property rental	26,436	-	26,436	13,809	-	13,809	40,245
Insurance	12,019	10,800	22,819	10,100	-	10,100	32,919
Client workshops and volunteer services	6,789	4,718	11,507	960	-	960	12,467
Printing and postage	357	248	605	605	-	605	1,210
Donated client supplies	16,359	11,368	27,727	-	-	-	27,727
Office expense	8,224	3,033	11,257	10,411	-	10,411	21,668
Professional fees	-	-	-	45,840	-	45,840	45,840
Advertising	-	-	-	10,347	-	10,347	10,347
Dues and subscriptions	-	-	-	3,300	-	3,300	3,300
Travel and training	1,803	-	1,803	3,515	-	3,515	5,318
Telephone	11,005	-	11,005	3,670	-	3,670	14,675
Bank charges and payroll service fees	2,638	1,834	4,472	2,981	-	2,981	7,453
Vehicles	1,933	1,343	3,276	-	-	-	3,276
Bad debt expense	-	-	-	375	-	375	375
Mortgage interest and taxes	-	24,422	24,422	-	-	-	24,422
Total expenses before depreciation	455,113	198,315	653,428	183,106	117,298	300,404	953,832
Depreciation	56,100	49,104	105,204	-	-	-	105,204
Total expenses	\$ 511,213	\$ 247,419	\$ 758,632	\$ 183,106	\$ 117,298	\$ 300,404	\$ 1,059,036

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

HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase in net assets	\$ 112,017	\$ 246,886
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	104,547	105,204
Amortization	326	-
Net loss on sale of equipment	-	1,063
Change in assets and liabilities:		
(Increase) decrease in:		
Grants and contracts receivable	5,000	125,450
Pledges receivable	(2,776)	24,990
Prepaid expenses	(32)	10,019
Other assets	-	398
Increase (decrease) in:		
Accounts payable and accrued expenses	16,880	(17,909)
Deferred revenue	(9,920)	(3,940)
Total adjustments	<u>114,025</u>	<u>245,275</u>
Net cash provided by operating activities	<u>226,042</u>	<u>492,161</u>
Cash flows from investing activities:		
Purchase of equipment and building improvements	(60,087)	(7,232)
Acquisition of intangible assets	(13,026)	-
Net cash used in investing activities	<u>(73,113)</u>	<u>(7,232)</u>
Cash flows from financing activities:		
Repayments on notes payable	(78,667)	(135,102)
Net cash used in financing activities	<u>(78,667)</u>	<u>(135,102)</u>
Net increase in cash and cash equivalents	74,262	349,827
Cash and cash equivalents, beginning of year	<u>559,573</u>	<u>209,746</u>
Cash and cash equivalents, end of year	<u>\$ 633,835</u>	<u>\$ 559,573</u>
Supplemental disclosure of cash flow information:		
Noncash financing transaction -		
Cash paid for interest	<u>\$ 9,974</u>	<u>\$ 15,190</u>

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

HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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1. Nature of Organization and Accounting Policies

Nature of Organization

HomeStretch, Inc. (the Agency) (formerly known as Housing Initiative of North Fulton, Inc.) 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 and Presentation

The accounts are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). This basis of accounting requires recording revenues and gains when earned and expenses and losses when incurred.

To ensure observance of limitations and restrictions placed on the use of resources available to the Agency, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions are resources not subject to donor-imposed restrictions or law.
- Net assets with donor restrictions are resources whose use by the Agency is limited by donor-imposed restrictions that either expire by the passage of time, can be fulfilled by actions of the Agency, or require the corpus be maintained in perpetuity.

Contributions

In accordance with GAAP, contributions are recognized as revenue in the year they are received or promised, with allowances provided for unconditional promises to give estimated to be uncollectible. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts (if any) is included in contributions in the accompanying Statements of Activities.

HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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1. Nature of Organization and Significant Accounting Policies – Continued

Contributions – Continued

Depending on the existence and/or nature of any donor restrictions, contributions are recorded as support with donor restrictions or support without donor restrictions. Time and purpose donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Grants and Contracts

The Agency received approximately 9% and 5% of its funding through various governmental agencies for the years ended June 30, 2018 and 2017, respectively. The majority of the grant funding is through the U.S. Department of Housing and Urban Development (HUD) that is passed through and administrated 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.

Donated Equipment, Material, Supplies and Services

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions 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 support with donor restrictions. 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 or as instructed by the donor. The Agency reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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1. Nature of Organization and Significant Accounting Policies – Continued

Donated Equipment, Material, Supplies and Services – Continued

All non-cash gifts are recorded at their estimated fair value at date of receipt. Donated services are recognized at fair value 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. No amounts have been recognized in the financial statements for general volunteer services, since these services do not meet the criteria.

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

	2018	2017
Donated client supplies	\$ 14,785	\$ 33,309
Repairs and maintenance	45,848	37,097
Rent	14,400	14,400
Professional fees	31,290	24,565
Total	\$ 106,323	\$ 109,371

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.

Tax Exempt Status

The Agency is a not-for-profit organization exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Income from certain activities not directly related to the Agency’s tax-exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2018 and 2017, the Agency did not have any unrelated business income, and accordingly, no unrelated business income tax. The Agency 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 remain open for the last three years.

HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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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 grant and contract receivable were considered collectible at June 30, 2018 and 2017, and accordingly, no allowance for doubtful accounts was recorded.

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 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.

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, 2018 and 2017.

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 Statements 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, 2018 and 2017, deferred revenue was \$2,500 and \$12,420, respectively.

HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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1. Nature of Organization and Significant Accounting Policies – Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities, repairs and maintenance, client workshops, printing and postage, donated client supplies, office expense, telephone, bank charges and payroll service fees, vehicles, and depreciation which are allocated on the basis of estimates of how the expenses support the programs and supporting services, as well as rental expense which is allocated on a square foot basis and salaries, payroll tax, and benefits which are allocated on the basis of estimates of time and effort.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2018 and 2017 was \$10,731 and \$10,347, 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.

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, 2018 and 2017, totaled \$388,680 and \$315,372, respectively.

Reclassification

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

HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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1. Nature of Organization and Significant Accounting Policies – Continued

New Accounting Policy

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements for Not-for-Profit Entities*, which improves the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance and cash flows. The guidance requires retrospective application. The Agency adopted this guidance for the fiscal year ended June 30, 2018. This new accounting policy did not affect net assets.

2. Liquidity and Availability of Financial Assets

The Agency is substantially supported by grants and contracts, contributions, special event revenues, and rental income. However, a material amount of grants, contracts and contributions with donor restrictions are received each year for various programs. As a donor’s restrictions require funds to be used in a particular manner or in a future period, the Agency maintains those restricted funds so that they are available to meet those responsibilities as they are required to be met. Accordingly, these financial assets are not available to the Agency for its general expenditures. General expenditures may be incurred for program, administrative or fundraising purposes.

The Agency’s financial assets at June 30, 2018 (reduced by amounts that are not available for general use because of contractual or donor-imposed restrictions) available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

Cash and cash equivalents	\$	633,835
Pledges receivable		41,848
Total financial assets		675,683
Less:		
Donor restricted cash		(171,950)
Pledges receivable		(15,390)
Financial assets available to meet cash needs for general expenditures within one year	\$	488,343

The Agency structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition to financial assets available to meet general expenditures over the next twelve months, the Agency operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the Statements of Cash Flows which identifies sources and uses of the Agency operating cash and shows positive cash generated by operations for fiscal years 2018 and 2017.



HOMESTRETCH, INC.  
(FORMERLY HOUSING INITIATIVE OF NORTH FULTON, INC.)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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, 2018 and 2017 were \$151,000 and \$141,000, of which the Agency estimates \$149,565 and \$133,950 will be collected, respectively, and was recorded in contributions with donor restrictions in the Statements of Activities. The Agency also receives indirect pledge contributions from the United Way.

Pledges receivable, net consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Circle of 500 pledges receivable, net of uncollectible amounts	\$ 149,565	\$ 133,950
Total payments against pledges	<u>(122,292)</u>	<u>(108,400)</u>
	27,273	25,550
Present value discount (5% effective rate)	<u>(2,193)</u>	<u>(1,877)</u>
Circle of 500 pledges receivable, net	25,080	23,673
United Way - indirect contributions	6,768	3,749
Roswell Presbyterian Church	<u>10,000</u>	<u>11,650</u>
Pledges receivable, net	<u>\$ 41,848</u>	<u>\$ 39,072</u>

The Agency anticipates that approximately \$26,458 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>2018</u>	<u>2017</u>
Land and land improvements	\$ 531,088	\$ 505,106
Housing units and improvements	2,937,998	2,935,627
Furniture and equipment	66,855	61,447
Software	26,326	-
Vehicles	6,789	6,789
Total property and land at cost	<u>3,569,056</u>	<u>3,508,969</u>
Less accumulated depreciation	<u>(1,141,582)</u>	<u>(1,037,035)</u>
Property and equipment, net	<u>\$ 2,427,474</u>	<u>\$ 2,471,934</u>

For the years ended June 30, 2018 and 2017, depreciation expense was \$104,547 and \$105,204, respectively. As described in Note 10, the majority of the land, land improvements, housing units and improvements are restricted for use only in the HUD housing program under grants.

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5. Notes Payable

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

	2018	2017
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. Collateralized by real property, building, and improvements.	\$ 189,684	\$ 268,351

Principal maturities of debt required under this agreement subsequent to year ended June 30, 2018 are as follows:

For the year ended June 30,	
2019	\$ 28,796
2020	29,476
2021	30,784
2022	32,151
2023	33,577
Thereafter	34,900
	\$ 189,684

The interest expense incurred on notes payable for the years ended June 30, 2018 and 2017 is \$9,974 and \$15,190, 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, 2018 and 2017. There were no borrowings or outstanding balances on this line of credit for the years ended June 30, 2018 and 2017. In July 2018, the line of credit maturity date was extended to July 2019 with the provision for the minimum interest rate of 5% removed.

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7. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of funds the Agency has received subject to donor-imposed restrictions and consist of the following at June 30:

	2018	2017
Pledges receivable (see Note 3)	\$ 41,848	\$ 39,072
Purpose restrictions:		
Family contingency	49,473	70,604
Life skills	4,787	4,982
Property enhancement and community enrichment	42,331	68,948
Family and youth development	72,359	9,512
Debt reduction	3,000	-
	171,950	154,046
Net assets with donor restrictions	\$ 213,798	\$ 193,118

Net assets in the amount of \$320,879 and \$347,219 were released from donor restrictions during the years ended June 30, 2018 and 2017, 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. There are certain eligibility requirements as defined by the plan. The Agency has elected to match employee contributions up to 3% of total employee compensation. Employer contributions for the years ended June 30, 2018 and 2017, totaled \$10,748 and \$10,970, respectively.

9. Operating Lease Commitments

The Agency extended their operating lease for office space effective September 6, 2017. The term of the lease was extended to September 30, 2019 with monthly rent of \$1,750 through March 2018, \$2,150 through September 2018 and \$2,200 through September 2019. 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, 2018 and 2017, totaled \$28,910 and \$28,121, 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:

<u>Year ended June 30,</u>	
2020	\$ 627,000
2021	120,000
2022	26,482
2023	89,670
2024	24,000
2028	<u>76,665</u>
	<u>\$ 963,817</u>

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 18, 2018, which is the date the financial statements were available to be issued. As described in Note 6, the Agency renewed the \$150,000 line of credit subsequent to year end.