

HOMESTRETCH, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019 AND 2018

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) which comprise the statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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 17, 2019

HOMESTRETCH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

| ASSETS | 2019 | 2018 |
|--|--------------|--------------|
| Cash and cash equivalents | \$ 587,300 | \$ 633,835 |
| Grant receivable | 50,000 | - |
| Pledges receivable, net | 33,894 | 41,848 |
| Prepaid expenses | 4,572 | 5,196 |
| Property and equipment, net | 2,371,845 | 2,427,474 |
| Intangible assets, net | 11,398 | 12,700 |
| Other assets | 2,476 | 100 |
| Total assets | \$ 3,061,485 | \$ 3,121,153 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 37,512 | \$ 39,651 |
| Deferred revenue | 2,519 | 2,500 |
| Note payable | 140,749 | 189,684 |
| Total liabilities | 180,780 | 231,835 |
| Commitments and contingencies | | |
| Net assets: | | |
| Without donor restrictions | | |
| Available for operations | 425,654 | 437,730 |
| Invested in property and equipment, net of related debt | 2,231,095 | 2,237,790 |
| Total net assets without donor restrictions | 2,656,749 | 2,675,520 |
| With donor restrictions | 223,956 | 213,798 |
| Total net assets | 2,880,705 | 2,889,318 |
| Total liabilities and net assets | \$ 3,061,485 | \$ 3,121,153 |

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

HOMESTRETCH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|--------------|
| Revenues, gains and other support: | | | |
| Grants and contracts | \$ - | \$ 121,886 | \$ 121,886 |
| United Way | - | 12,436 | 12,436 |
| Contributions | 216,104 | 226,156 | 442,260 |
| Special events, net of expenses of \$61,946 and \$69,642 | 164,300 | - | 164,300 |
| In-kind contributions | 91,014 | - | 91,014 |
| Rental income | 290,895 | - | 290,895 |
| Other gain (loss) | 760 | - | 760 |
| Net assets released from restrictions | 350,320 | (350,320) | - |
| Total revenues, gains and other support | 1,113,393 | 10,158 | 1,123,551 |
| Expenses: | | | |
| Program services | 837,462 | - | 837,462 |
| Supporting services: | | | |
| Administration | 239,929 | - | 239,929 |
| Fundraising | 54,773 | - | 54,773 |
| Total expenses | 1,132,164 | - | 1,132,164 |
| Increase (decrease) in net assets | (18,771) | 10,158 | (8,613) |
| Net assets, beginning of year | 2,675,520 | 213,798 | 2,889,318 |
| Net assets, end of year | \$ 2,656,749 | \$ 223,956 | \$ 2,880,705 |

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

HOMESTRETCH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| Revenues, gains and other support: | | | |
| Grants and contracts | \$ 8,977 | \$ 98,010 | \$ 106,987 |
| United Way | 46,619 | 20,000 | 66,619 |
| Contributions | 289,498 | 223,549 | 513,047 |
| Special events, net of expenses of \$69,642 | 172,174 | - | 172,174 |
| In-kind contributions | 106,323 | - | 106,323 |
| Rental income | 281,014 | - | 281,014 |
| Other gain (loss) | (1,006) | - | (1,006) |
| Net assets released from restrictions | 320,879 | (320,879) | - |
| Total revenues, gains and other support | 1,224,478 | 20,680 | 1,245,158 |
| Expenses: | | | |
| Program services | 799,141 | - | 799,141 |
| Supporting services: | | | |
| Administration | 262,405 | - | 262,405 |
| Fundraising | 71,595 | - | 71,595 |
| Total expenses | 1,133,141 | - | 1,133,141 |
| Increase in net assets | 91,337 | 20,680 | 112,017 |
| Net assets, beginning of year | 2,584,183 | 193,118 | 2,777,301 |
| Net assets, end of year | \$ 2,675,520 | \$ 213,798 | \$ 2,889,318 |

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

HOMESTRETCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

| | Program Services | | | Supporting Services | | | 2019 Total | 2018 Total |
|--|-------------------------|-----------------------|------------------|---------------------------|-------------|---------------------|---------------|---------------|
| | Transitional Housing | Affordable Housing | Total Program | Management and General | Fundraising | Total Supporting | | |
| Salaries | \$ 165,092 | \$ 114,725 | \$ 279,817 | \$ 108,859 | \$ 37,766 | \$ 146,625 | \$ 426,442 | \$ 457,998 |
| Payroll tax and benefits | 38,773 | 26,944 | 65,717 | 25,567 | 8,870 | 34,437 | 100,154 | 92,732 |
| Family contingency assistance | 31,007 | - | 31,007 | - | - | - | 31,007 | 45,758 |
| Board expense | - | - | - | 1,477 | - | 1,477 | 1,477 | 1,207 |
| Utilities | 56,258 | 5,339 | 61,597 | - | - | - | 61,597 | 58,129 |
| Repairs and maintenance | 91,998 | 5,912 | 97,910 | - | - | - | 97,910 | 110,785 |
| Property management | 8,065 | 7,720 | 15,785 | - | - | - | 15,785 | 18,213 |
| Office and property rental | 32,322 | - | 32,322 | 11,094 | - | 11,094 | 43,416 | 41,035 |
| Insurance | 15,815 | 8,636 | 24,451 | 6,715 | - | 6,715 | 31,166 | 32,703 |
| Client workshops and volunteer services | 5,770 | 4,009 | 9,779 | 1,365 | - | 1,365 | 11,144 | 10,169 |
| Printing and postage | 116 | 81 | 197 | 196 | - | 196 | 393 | 704 |
| Donated client supplies | 28,739 | 19,972 | 48,711 | - | - | - | 48,711 | 14,785 |
| Office expense | 9,209 | 6,400 | 15,609 | 15,610 | - | 15,610 | 31,219 | 31,612 |
| Professional fees | - | - | - | 45,807 | - | 45,807 | 45,807 | 40,802 |
| Advertising | - | - | - | 6,752 | - | 6,752 | 6,752 | 10,731 |
| Dues and subscriptions | - | - | - | 5,575 | - | 5,575 | 5,575 | 4,500 |
| Travel and training | 2,006 | - | 2,006 | 4,645 | - | 4,645 | 6,651 | 6,983 |
| Telephone | 11,786 | - | 11,786 | 3,368 | - | 3,368 | 15,154 | 14,641 |
| Bank charges and payroll service fees | 2,420 | 1,682 | 4,102 | 1,596 | 554 | 2,150 | 6,252 | 8,520 |
| Vehicles | 1,604 | 1,115 | 2,719 | - | - | - | 2,719 | 2,202 |
| Bad debt expense | - | - | - | - | 7,583 | 7,583 | 7,583 | 375 |
| Mortgage interest and taxes | - | 17,852 | 17,852 | - | - | - | 17,852 | 24,059 |
| Total expenses before depreciation and amortization | 500,980 | 220,387 | 721,367 | 238,626 | 54,773 | 293,399 | 1,014,766 | 1,028,268 |
| Depreciation and amortization | 68,496 | 47,599 | 116,095 | 1,303 | - | 1,303 | 117,398 | 104,873 |
| Total expenses | \$ 569,476 | \$ 267,986 | \$ 837,462 | \$ 239,929 | \$ 54,773 | \$ 294,702 | \$ 1,132,164 | \$ 1,133,141 |

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

HOMESTRETCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

| | Program Services | | | Supporting Services | | | 2018 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 |
| Payroll tax and benefits | 31,733 | 22,052 | 53,785 | 26,892 | 12,055 | 38,947 | 92,732 |
| Family contingency assistance | 45,758 | - | 45,758 | - | - | - | 45,758 |
| Board expense | - | - | - | 1,207 | - | 1,207 | 1,207 |
| Utilities | 53,353 | 4,776 | 58,129 | - | - | - | 58,129 |
| Repairs and maintenance | 96,739 | 13,900 | 110,639 | 146 | - | 146 | 110,785 |
| Property management | 7,127 | 11,086 | 18,213 | - | - | - | 18,213 |
| Office and property rental | 31,381 | - | 31,381 | 9,654 | - | 9,654 | 41,035 |
| Insurance | 16,824 | 9,239 | 26,063 | 6,640 | - | 6,640 | 32,703 |
| Client workshops and volunteer services | 5,194 | 3,610 | 8,804 | 1,365 | - | 1,365 | 10,169 |
| Printing and postage | 208 | 144 | 352 | 352 | - | 352 | 704 |
| Donated client supplies | 8,723 | 6,062 | 14,785 | - | - | - | 14,785 |
| Office expense | 9,326 | 6,480 | 15,806 | 15,806 | - | 15,806 | 31,612 |
| Professional fees | - | - | - | 40,802 | - | 40,802 | 40,802 |
| Advertising | - | - | - | 10,731 | - | 10,731 | 10,731 |
| Dues and subscriptions | - | - | - | 4,500 | - | 4,500 | 4,500 |
| Travel and training | 3,508 | - | 3,508 | 3,475 | - | 3,475 | 6,983 |
| Telephone | 10,763 | - | 10,763 | 3,878 | - | 3,878 | 14,641 |
| Bank charges and payroll service fees | 2,778 | 1,930 | 4,708 | 3,812 | - | 3,812 | 8,520 |
| Vehicles | 1,299 | 903 | 2,202 | - | - | - | 2,202 |
| Bad debt expense | - | - | - | - | - | - | - |
| Mortgage interest and taxes | - | 24,059 | 24,059 | - | - | - | 24,059 |
| Total expenses before depreciation and amortization | 481,441 | 213,153 | 694,594 | 262,079 | 71,595 | 333,674 | 1,028,268 |
| Depreciation and amortization | 61,683 | 42,864 | 104,547 | 326 | - | 326 | 104,873 |
| Total expenses | \$ 543,124 | \$ 256,017 | \$ 799,141 | \$ 262,405 | \$ 71,595 | \$ 334,000 | \$ 1,133,141 |

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

HOMESTRETCH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|--|------------|------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets | \$ (8,613) | \$ 112,017 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | | |
| Depreciation | 116,095 | 104,547 |
| Amortization | 1,302 | 326 |
| Change in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Grant receivable | (50,000) | 5,000 |
| Pledges receivable | 7,954 | (2,776) |
| Prepaid expenses | 624 | (32) |
| Other assets | (2,376) | - |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (2,139) | 16,880 |
| Deferred revenue | 19 | (9,920) |
| Total adjustments | 71,479 | 114,025 |
| Net cash provided by operating activities | 62,866 | 226,042 |
| Cash flows from investing activities: | | |
| Purchase of equipment and building improvements | (60,466) | (60,087) |
| Acquisition of intangible assets | - | (13,026) |
| Net cash used in investing activities | (60,466) | (73,113) |
| Cash flows from financing activities: | | |
| Repayments on notes payable | (48,935) | (78,667) |
| Net cash used in financing activities | (48,935) | (78,667) |
| Net increase (decrease) in cash and cash equivalents | (46,535) | 74,262 |
| Cash and cash equivalents, beginning of year | 633,835 | 559,573 |
| Cash and cash equivalents, end of year | \$ 587,300 | \$ 633,835 |
| Supplemental disclosure of cash flow information: | | |
| Noncash financing transaction - | | |
| Cash paid for interest | \$ 6,958 | \$ 9,974 |

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

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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.

Financial Statement Presentation and Basis of Accounting

The Agency maintains its accounts on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Agency is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions based on stipulations made by the donor, as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions including the carrying value of all property and equipment. Items that affect (i.e., increase or decrease) this net asset category include program revenue and related expenses associated with the core activities of the Agency. In addition to these exchange transactions, changes to this category of net assets include contributions without donor restrictions.
- Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that are satisfied by actions of the Agency or the passage of time. Items that affect this net asset category are contributions with donor restrictions including pledges for which restrictions have not been met. These amounts are reclassified to net assets without donor restrictions when such restrictions are met or have expired. Net assets with donor restrictions also include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment) and that only the income be made available for program operations. The Agency had no net assets with donor restrictions to be held in perpetuity as of June 30, 2019 and 2018.

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. Nature of Organization and Significant Accounting Policies – Continued

Revenue Recognition

Contributions (including unconditional promises to give, i.e. pledges or grants) are recognized as revenue in the year they are received or pledged, with allowances provided for pledges estimated to be uncollectible. Unconditional pledges or grants that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges or grants 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-adjusted 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. Conditional pledges or grants are not included as support until the conditions are substantially met

The Agency recognizes contributions as support with donor restrictions if they are received with donor-imposed restrictions that limit the use of the donated assets. When a donor-imposed restriction is met or the passage of time expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and presented in the accompanying Statements of Activities as net assets released from restrictions.

The Agency has contracts with customers for rental housing for which it earns rental income. The Agency recognizes rental income over time as services are rendered. Revenue is based on the rent amount per the residential lease agreement. Rent is paid by the resident on the first day of every month. The Agency's contracts do not contain terms that require significant judgement to determine the amount of revenue to recognize. At June 30, 2019, the Agency does not have any material contract assets, liabilities, or other receivables recorded related to contracts from customers.

Grants and Contracts

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.

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 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.

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:

| | <u>2019</u> | <u>2018</u> |
|-------------------------|------------------|-------------------|
| Donated client supplies | \$ 49,111 | \$ 14,785 |
| Repairs and maintenance | 2,978 | 45,848 |
| Rent | 14,400 | 14,400 |
| Professional fees | <u>24,525</u> | <u>31,290</u> |
| Total | <u>\$ 91,014</u> | <u>\$ 106,323</u> |

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.

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. Nature of Organization and Significant Accounting Policies – Continued

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, 2019 and 2018, 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.

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, 2019 and 2018, 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 of fair value as described in GAAP. There were no impairment losses during the years ended June 30, 2019 and 2018.

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. Nature of Organization and Significant Accounting Policies – Continued

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, 2019 and 2018, deferred revenue was \$2,519 and \$2,500, respectively.

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, 2019 and 2018 was \$6,752 and \$10,731, 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, 2019 and 2018, totaled \$336,841 and \$388,680 respectively.

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. Nature of Organization and Significant Accounting Policies – Continued

Intangible Asset, Net

In fiscal 2018, the Agency obtained four service marks by obtaining a Certificate of Registration with the state of Georgia in order to secure the rights to its trademark name and logo. The trademark registration and associated costs are recorded in the accompanying Statement of Financial Position as an intangible asset, net of accumulated amortization and is being amortized over the life of the asset (10 years) as of June 30, 2019 and 2018, respectively.

Reclassification

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

New Accounting Policies

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.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, Subsequent to issuance of ASU 2014-09, FASB issued additional related ASU's to provide additional clarification of ASU 2014-09. ASU 2014-09 amends the FASB Codification (ASC) by creating Topic 606, *Revenue from Contracts with Customers*, and Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*. The new revenue recognition standard eliminates the transaction - and industry - specific revenue recognition guidance under current GAAP and replaces it with a principle-based approach for determining revenue recognition. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Agency adopted this guidance for the year ended June 30, 2019. This new accounting policy did not affect net assets.

In June 2015, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions and Grants Received and Contributions and Grants Made*. The standard is effective for fiscal years beginning after December 15, 2018 and requires retrospective application. Early adoption is permitted. The Agency elected to early adopt this guidance for the year ended June 30, 2019. This new accounting policy did not affect net assets.

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019 and 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:

| | 2019 | 2018 |
|---|------------|------------|
| Cash and cash equivalents | \$ 587,300 | \$ 633,835 |
| Grant receivable | 50,000 | - |
| Pledges receivable | 33,894 | 41,848 |
| Total financial assets | 671,194 | 675,683 |
| Less: | | |
| Donor restricted cash | (190,062) | (171,950) |
| Pledges receivable | (13,026) | (15,390) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 468,106 | \$ 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. As described in Note 6, The Agency maintains a line of credit in the amount of \$150,000, which it could draw upon in the event of an unanticipated liquidity event. The Statements of Cash Flows identify the sources and uses of the Agency's operating cash and show positive cash generated by operations for years ended June 30, 2019 and 2018.

HOMESTRETCH, INC.
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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, 2019 and 2018 were \$161,500 and \$151,000, of which the Agency estimates \$160,206 and \$149,565 will be collected, respectively, and was recorded in contributions 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:

| | 2019 | 2018 |
|---|------------|------------|
| Circle of 500 pledges receivable, net of uncollectible amounts | \$ 160,206 | \$ 149,565 |
| Total payments against pledges | (135,629) | (122,292) |
| | 24,577 | 27,273 |
| Present value discount (5% effective rate) | (2,599) | (2,193) |
| Circle of 500 pledges receivable, net | 21,978 | 25,080 |
| United Way - indirect contributions | 1,916 | 6,768 |
| Roswell Presbyterian Church | 10,000 | 10,000 |
| Pledges receivable, net | \$ 33,894 | \$ 41,848 |

The Agency anticipates that approximately \$20,868 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:

| | 2019 | 2018 |
|-----------------------------------|--------------|--------------|
| Land and land improvements | \$ 543,902 | \$ 531,088 |
| Housing units and improvements | 2,960,650 | 2,937,998 |
| Furniture and equipment | 66,855 | 66,855 |
| Software | 26,326 | 26,326 |
| Vehicles | 31,789 | 6,789 |
| | 3,629,522 | 3,569,056 |
| Less accumulated depreciation | (1,257,677) | (1,141,582) |
| Total property and equipment, net | \$ 2,371,845 | \$ 2,427,474 |

For the years ended June 30, 2019 and 2018, depreciation expense was \$116,095 and \$104,547, 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.

HOMESTRETCH, INC.
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5. Note Payable

The following is a summary of the note payable at June 30:

| | 2019 | 2018 |
|---|------------|------------|
| 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. | \$ 140,749 | \$ 189,684 |

Principal maturities of debt required under this agreement subsequent to year ended June 30, 2019 are as follows:

| For the year ended June 30, | |
|-----------------------------|------------|
| 2020 | \$ 30,814 |
| 2021 | 31,737 |
| 2022 | 33,146 |
| 2023 | 34,617 |
| 2024 | 10,435 |
| | \$ 140,749 |

The interest expense incurred on the note payable for the years ended June 30, 2019 and 2018 is \$6,958 and \$9,974, 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%. The interest rate was 6.75% and 6.25% at June 30, 2019 and 2018, respectively. There were no borrowings or outstanding balances on this line of credit for the years ended June 30, 2019 and 2018. In July 2019, the line of credit maturity date was extended to July 2020.

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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:

| | 2019 | 2018 |
|---|------------|------------|
| Pledges receivable (see Note 3) | \$ 33,894 | \$ 41,848 |
| Purpose restrictions: | | |
| Family contingency | 46,712 | 49,473 |
| Life skills | 1,060 | 4,787 |
| Property enhancement and community enrichment | 38,818 | 42,331 |
| Family and youth development | 77,229 | 72,359 |
| Staff development | 13,243 | - |
| Debt reduction | 13,000 | 3,000 |
| | 190,062 | 171,950 |
| Net assets with donor restrictions | \$ 223,956 | \$ 213,798 |

8. Net Assets Released From Restrictions

The following net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by the donor for the years ending June 30:

| | 2019 | 2018 |
|---|------------|------------|
| Pledges receivable | \$ 58,088 | \$ 50,442 |
| Purpose restrictions: | | |
| Family contingency | 30,208 | 34,699 |
| Life skills | 4,237 | 6,422 |
| Property enhancement and community enrichment | 93,813 | 63,803 |
| Family and youth development | 159,666 | 115,513 |
| Staff development | 4,308 | - |
| Debt reduction | - | 50,000 |
| | 292,232 | 270,437 |
| Net assets released from restrictions | \$ 350,320 | \$ 320,879 |

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9. 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 eligible employees. 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, 2019 and 2018, totaled \$10,234 and \$10,748, respectively.

10. 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, and \$2,150 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, 2019 and 2018, totaled \$30,442 and \$28,910, respectively.

11. 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, | | |
|---------------------|----|---------|
| 2020 | \$ | 627,000 |
| 2021 | | 120,000 |
| 2022 | | 19,862 |
| 2023 | | 71,737 |
| 2024 | | 20,000 |
| Thereafter | | 68,998 |
| | \$ | 927,597 |

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12. 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.

13. Subsequent Event

Subsequent events have been evaluated through October 17, 2019, 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.