

HOMESTRETCH, INC.

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FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2020 AND 2019

HOMESTRETCH, 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, 2020 and 2019, 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, 2020 and 2019, 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  
December 3, 2020

HOMESTRETCH, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 729,547	\$ 538,189
Grant receivable	-	50,000
Pledges receivable, net	26,144	33,894
Prepaid expenses	4,253	4,572
Cash restricted for long term purposes	26,327	49,111
Property and equipment, net	2,647,140	2,371,845
Intangible assets, net	10,095	11,398
Other assets	100	2,476
Total assets	\$ 3,443,606	\$ 3,061,485
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 38,623	\$ 37,512
Deferred revenue and refundable advances	69,584	2,519
Paycheck Protection Program Loan	89,400	-
Notes payable	244,328	140,749
Total liabilities	441,935	180,780
Commitments and contingencies		
Net assets:		
Without donor restrictions		
Available for operations	409,930	425,654
Invested in property and equipment, net of related debt	2,402,812	2,231,095
Total net assets without donor restrictions	2,812,742	2,656,749
With donor restrictions	188,929	223,956
Total net assets	3,001,671	2,880,705
Total liabilities and net assets	\$ 3,443,606	\$ 3,061,485

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

HOMESTRETCH, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	Without Donor Restrictions	With Donor Restrictions	2019 Total
Revenues, gains and other support:						
Grants and contracts	\$ -	\$ 186,564	\$ 186,564	\$ -	\$ 121,886	\$ 121,886
United Way	6,338	6,222	12,560	-	12,436	12,436
Contributions	274,370	123,538	397,908	216,104	226,156	442,260
Special events, net of expenses of \$37,983 in 2020 and \$61,946 in 2019	84,637	-	84,637	164,300	-	164,300
In-kind contributions	103,858	-	103,858	91,014	-	91,014
Rental income	292,691	-	292,691	290,895	-	290,895
Other income	436	-	436	760	-	760
Net assets released from restrictions	351,351	(351,351)	-	350,320	(350,320)	-
Total revenues, gains and other support	1,113,681	(35,027)	1,078,654	1,113,393	10,158	1,123,551
Expenses:						
Program services	715,147	-	715,147	837,462	-	837,462
Supporting services:						
Management and general	199,731	-	199,731	239,929	-	239,929
Fundraising	42,810	-	42,810	54,773	-	54,773
Total expenses	957,688	-	957,688	1,132,164	-	1,132,164
Increase (decrease) in net assets	155,993	(35,027)	120,966	(18,771)	10,158	(8,613)
Net assets, beginning of year	2,656,749	223,956	2,880,705	2,675,520	213,798	2,889,318
Net assets, end of year	\$ 2,812,742	\$ 188,929	\$ 3,001,671	\$ 2,656,749	\$ 223,956	\$ 2,880,705

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

HOMESTRETCH, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	Program Services			Supporting Services			2020 Total	2019 Total
	Transitional Housing	Affordable Housing	Total Program	Management and General	Fundraising	Total Supporting		
Salaries	\$ 155,496	\$ 108,056	\$ 263,552	\$ 95,230	\$ 32,360	\$ 127,590	\$ 391,142	\$ 426,442
Payroll tax and benefits	32,088	22,298	54,386	17,713	6,089	23,802	78,188	100,154
Family contingency assistance	25,619	-	25,619	-	-	-	25,619	31,007
Board expense	-	-	-	786	-	786	786	1,477
Utilities	58,863	5,339	64,202	-	-	-	64,202	61,597
Repairs and maintenance	55,718	5,319	61,037	-	-	-	61,037	97,910
Property management	7,346	7,430	14,776	-	-	-	14,776	15,785
Office and property rental	15,877	6,029	21,906	11,094	-	11,094	33,000	43,416
Insurance	15,943	8,258	24,201	7,256	-	7,256	31,457	31,166
Client workshops and volunteer services	399	278	677	179	-	179	856	11,144
Printing and postage	499	346	845	845	-	845	1,690	393
Donated client supplies	9,377	6,517	15,894	-	-	-	15,894	48,711
Office expense	6,983	4,852	11,835	11,835	-	11,835	23,670	31,219
Professional fees	-	-	-	32,265	-	32,265	32,265	45,807
Advertising	-	-	-	3,388	-	3,388	3,388	6,752
Dues and subscriptions	-	-	-	6,217	-	6,217	6,217	5,575
Travel and training	669	-	669	2,118	-	2,118	2,787	6,651
Telephone	8,728	-	8,728	8,160	-	8,160	16,888	15,154
Bank charges and payroll service fees	2,432	1,690	4,122	1,342	461	1,803	5,925	6,252
Vehicle maintenance	1,337	929	2,266	-	-	-	2,266	2,719
Bad debt expense	-	-	-	-	3,900	3,900	3,900	7,583
Mortgage interest and taxes	1,711	16,296	18,007	-	-	-	18,007	17,852
Total expenses before depreciation and amortization	399,085	193,637	592,722	198,428	42,810	241,238	833,960	1,014,766
Depreciation and amortization	72,231	50,194	122,425	1,303	-	1,303	123,728	117,398
Total expenses	\$ 471,316	\$ 243,831	\$ 715,147	\$ 199,731	\$ 42,810	\$ 242,541	\$ 957,688	\$ 1,132,164

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

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

	Program Services			Supporting Services			2019 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
Payroll tax and benefits	38,773	26,944	65,717	25,567	8,870	34,437	100,154
Family contingency assistance	31,007	-	31,007	-	-	-	31,007
Board expense	-	-	-	1,477	-	1,477	1,477
Utilities	56,258	5,339	61,597	-	-	-	61,597
Repairs and maintenance	91,998	5,912	97,910	-	-	-	97,910
Property management	8,065	7,720	15,785	-	-	-	15,785
Office and property rental	32,322	-	32,322	11,094	-	11,094	43,416
Insurance	15,815	8,636	24,451	6,715	-	6,715	31,166
Client workshops and volunteer services	5,770	4,009	9,779	1,365	-	1,365	11,144
Printing and postage	116	81	197	196	-	196	393
Donated client supplies	28,739	19,972	48,711	-	-	-	48,711
Office expense	9,209	6,400	15,609	15,610	-	15,610	31,219
Professional fees	-	-	-	45,807	-	45,807	45,807
Advertising	-	-	-	6,752	-	6,752	6,752
Dues and subscriptions	-	-	-	5,575	-	5,575	5,575
Travel and training	2,006	-	2,006	4,645	-	4,645	6,651
Telephone	11,786	-	11,786	3,368	-	3,368	15,154
Bank charges and payroll service fees	2,420	1,682	4,102	1,596	554	2,150	6,252
Vehicle maintenance	1,604	1,115	2,719	-	-	-	2,719
Bad debt expense	-	-	-	-	7,583	7,583	7,583
Mortgage interest and taxes	-	17,852	17,852	-	-	-	17,852
Total expenses before depreciation and amortization	500,980	220,387	721,367	238,626	54,773	293,399	1,014,766
Depreciation and amortization	68,496	47,599	116,095	1,303	-	1,303	117,398
Total expenses	\$ 569,476	\$ 267,986	\$ 837,462	\$ 239,929	\$ 54,773	\$ 294,702	\$ 1,132,164

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



HOMESTRETCH, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 120,966	\$ (8,613)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	122,425	116,095
Amortization	1,303	1,302
In-kind donation of building and equipment	(74,000)	-
Cash contributions restricted for debt retirement	(50,000)	(10,000)
Change in assets and liabilities:		
(Increase) decrease in:		
Grant receivable	50,000	(50,000)
Pledges receivable	7,750	7,954
Prepaid expenses	319	624
Other assets	2,376	(2,376)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,111	(2,139)
Deferred revenue and refundable advances	67,065	19
Total adjustments	128,349	61,479
Net cash provided by operating activities	249,315	52,866
Cash flows from investing activities:		
Purchase of equipment and building improvements	(323,720)	(60,466)
Net cash used in investing activities	(323,720)	(60,466)
Cash flows from financing activities:		
Borrowings on Paycheck Protection Program Loan	89,400	-
Borrowings on notes payable	177,660	-
Repayments on notes payable	(74,081)	(48,935)
Cash contributions restricted for debt retirement	50,000	10,000
Net cash provided by (used in) financing activities	242,979	(38,935)
Net increase (decrease) in cash and cash equivalents	168,574	(46,535)
Cash and cash equivalents, beginning of year	587,300	633,835
Cash and cash equivalents, end of year	\$ 755,874	\$ 587,300
Supplemental disclosure of cash flow information:		
Noncash financing transaction -		
Cash paid for interest	\$ 4,147	\$ 6,958

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

HOMESTRETCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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1. Nature of Organization and Significant Accounting Policies

Nature of Organization

HomeStretch, Inc. (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.

800 Forest Street, LLC was formed in 2015 for the purpose of owning a multifamily rental property to provide affordable housing in North Fulton. 800 Forest Street, LLC is a disregarded entity that is fully owned and controlled by the Agency. The financial activity of 800 Forest Street, LLC is not reported separately, but is included in the Agency's financial statements.

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, 2020 and 2019.

HOMESTRETCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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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, 2020 and 2019, the Agency does not have any material contract assets, liabilities, or other receivables recorded related to rental contracts with 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. Program service fees and payments under cost reimbursable grants received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred.

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, 2020 AND 2019

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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 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:

	2020	2019
Building and equipment	\$ 74,000	\$ -
Donated client supplies	15,894	49,111
Repairs and maintenance	-	2,978
Rent	7,200	14,400
Professional fees	6,764	24,525
Total	\$ 103,858	\$ 91,014

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, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019.

HOMESTRETCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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1. Nature of Organization and Significant Accounting Policies – Continued

Deferred Revenue and Refundable Advances

Deferred revenue and refundable advances primarily represent funds received for programs and services to be conducted in the next fiscal year. 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. Income from special events is deferred and recognized in the period when the special event takes place. Deferred revenue and refundable advances are recognized as revenue in the Statements of Activities in the year when earned.

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, 2020 and 2019 was \$3,388 and \$6,752, respectively.

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, 2020 and 2019, totaled \$510,199 and \$336,841 respectively. Management believes the credit risk related to these balances is not significant. In November 2020, the Agency transferred \$250,000 of cash and cash equivalents to a new bank account at a second financial institution.

HOMESTRETCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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.

Reclassification

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

New Accounting Policy

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*, which requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The guidance requires retrospective application.

This accounting policy is effective for fiscal years beginning after December 15, 2018. The Agency adopted this new accounting policy for the year ended June 30, 2020. This new accounting policy did not affect total net assets for either the year ended June 30, 2020 or 2019.

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.

HOMESTRETCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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2. Liquidity and Availability of Financial Assets – Continued

The Agency’s financial assets at June 30, 2020 and 2019 (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:

		2020		2019
Cash and cash equivalents	\$	755,874	\$	587,300
Grant receivable		-		50,000
Pledges receivable		26,144		33,894
Total financial assets		782,018		671,194
Less:				
Donor restricted cash		(162,785)		(190,062)
Pledges receivable		(11,935)		(13,026)
Financial assets available to meet cash needs for general expenditures within one year	\$	607,298	\$	468,106

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 7, 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, 2020 and 2019.

The global coronavirus pandemic has threatened the U.S. and global economies. The pandemic has also affected the U.S. and global equity markets, as well as consumer confidence, and the broad U.S. and global stock markets have experienced extreme volatility as a result of the pandemic. It is uncertain how this downturn in the financial markets and consumer confidence may affect the operations, grants and contracts, contributions, special event revenues, and rental income of the Agency in the near future.

To assist with operational cash flow during the pandemic, the Agency received a loan of \$89,400 in May 2020 from the United States Small Business Administration’s Paycheck Protection Program, as further discussed in Note 8.

While the Agency believes it has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on many interdependent factors. The Agency depends heavily on grants and contracts, contributions, special event revenues, and rental income to support its operations. The availability of grants and contracts, the ability of contributors to continue to give and participate in special events, and tenants to pay rent may be dependent on current and future overall economic conditions.



HOMESTRETCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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3. Cash and Cash Equivalents

The Agency considers all cash and highly liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents consisted of the following at June 30:

	2020	2019
Cash without donor restrictions	\$ 593,089	\$ 397,238
Cash with donor restrictions	136,458	140,951
Cash and cash equivalents	729,547	538,189
Cash restricted for building improvements and equipment	26,327	36,111
Cash restricted for debt reduction	-	13,000
Cash restricted for long-term purposes	26,327	49,111
Total cash and cash equivalents for purposes of the statements of cash flows	\$ 755,874	\$ 587,300

4. 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, 2020 and 2019 were \$164,516 and \$161,500, of which the Agency estimates \$163,222 and \$160,206 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 and Roswell Presbyterian Church.

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

	2020	2019
Circle of 500 pledges receivable, net of uncollectible amounts	\$ 163,222	\$ 160,206
Total payments against pledges	(141,179)	(135,629)
	22,043	24,577
Present value discount (5% effective rate)	(2,599)	(2,599)
Circle of 500 pledges receivable, net	19,444	21,978
United Way - indirect contributions	-	1,916
Roswell Presbyterian Church	6,700	10,000
Pledges receivable, net	\$ 26,144	\$ 33,894

The Agency anticipates that approximately \$14,209 of the outstanding pledges receivable will be collected within one year with the remaining balance to be collected within 4 years.

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5. Property and Equipment, Net

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

	2020	2019
Land and land improvements	\$ 602,402	\$ 543,902
Housing units and improvements	3,215,110	2,960,650
Furniture and equipment	77,615	66,855
Software	26,326	26,326
Vehicles	31,789	31,789
Construction in progress	74,000	-
	4,027,242	3,629,522
Less accumulated depreciation	(1,380,102)	(1,257,677)
Total property and equipment, net	\$ 2,647,140	\$ 2,371,845

For the years ended June 30, 2020 and 2019, depreciation expense was \$122,425 and \$116,095, respectively. As described in Note 15, \$300,597 of the land, land improvements, housing units and improvements are restricted for use only in the HUD housing program under grants.

6. Deferred Revenue and Refundable Advances

Deferred revenue and refundable advances consist of the following as of June 30:

	2020	2019
Deferred revenue for special events	\$ 31,270	\$ 2,519
Refundable advances on grants	38,314	-
Total deferred revenue and refundable advances	\$ 69,584	\$ 2,519

7. 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 6.50% and 6.75% at June 30, 2020 and 2019, respectively. There were no borrowings or outstanding balances on this line of credit for the years ended June 30, 2020 and 2019. In July 2020, the line of credit maturity date was extended to July 2021 and an interest rate floor of 4.25% was added to the terms.

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8. Paycheck Protection Program Loan

During May 2020, the Agency received a \$89,400 loan from the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP), which was established to assist with operating cash flow during the global coronavirus pandemic.

This unsecured loan bears interest at 1% and may be forgiven by the SBA, as long as the Agency uses the loan proceeds for eligible purposes over a defined period of time. Eligible purposes include payroll, related benefits, rent, and utilities. The amount of loan forgiveness may be reduced if the Agency terminates employees or reduces salaries during the defined period. The unforgiven portion of the loan is payable over two years with a deferral of payments to either the date the SBA remits the borrower's loan forgiveness amount to the lender, or if the borrower does not apply for loan forgiveness, ten months after the end of the borrower's loan forgiveness covered period. This loan may be prepaid at any time without penalty. The Agency believes it has used the loan proceeds for purposes consistent with the PPP, and therefore, expects it will meet the conditions of loan forgiveness. The Agency will reduce the government loan liability by the amount forgiven and record a corresponding gain on extinguishment once the loan is partly or wholly forgiven and a legal release is received. As of June 30, 2020, the outstanding borrowings under this loan totaled \$89,400.

9. Notes Payable

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

	2020	2019
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.	\$ 67,668	\$ 140,749
Fixed 3.85% mortgage note payable with monthly principal and interest installments due thru December 2029. All remaining principal and interest installments are due January 2030. Collateralized by real property, building, and improvements.	176,660	-
Total notes payable	\$ <u>244,328</u>	\$ <u>140,749</u>

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9. Notes Payable – Continued

Principal maturities of debt required under this agreement subsequent to year ended June 30, 2020 are as follows:

<u>For the year ended June 30,</u>	
2021	\$ 39,732
2022	40,415
2023	6,608
2024	6,867
2025	7,136
Thereafter	<u>143,570</u>
	<u>\$ 244,328</u>

In October 2020, the \$67,668 note payable was paid in full.

The interest expense incurred on the note payable for the years ended June 30, 2020 and 2019 is \$4,147 and \$6,958, respectively.

10. 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:

	<u>2020</u>	<u>2019</u>
Pledges receivable (see Note 4)	\$ 26,144	\$ 33,894
Purpose restrictions:		
Family contingency	46,745	46,712
Life skills	3,798	1,060
Property enhancement and community enrichment	25,245	38,818
Family and youth development	77,418	77,229
Staff development	9,579	13,243
Debt reduction	-	13,000
	<u>162,785</u>	<u>190,062</u>
Net assets with donor restrictions	<u>\$ 188,929</u>	<u>\$ 223,956</u>

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11. 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:

	2020	2019
Pledges receivable	\$ 29,450	\$ 58,088
Purpose restrictions:		
Family contingency	10,467	30,208
Life skills	500	4,237
Property enhancement and community enrichment	101,951	93,813
Family and youth development	129,130	159,666
Staff development	3,664	4,308
Debt reduction	63,000	-
COVID relief	13,189	-
	321,901	292,232
Net assets released from restrictions	\$ 351,351	\$ 350,320

12. 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, 2020 and 2019, totaled \$6,321 and \$10,234, respectively.

13. 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. In January 2020, the Agency purchased this residential home to be used as part of their housing program.

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14. Operating Lease Commitments

The Agency has entered into noncancelable operating leases for office equipment and office space. Total rent expense related to these leases is \$30,404 and \$30,442 for the years ended June 30, 2020 and 2019, respectively. Future minimum payments under these operating leases as of June 30, 2020 are as follows:

For the year ended June 30,	
2021	\$ 29,620
2022	29,620
2023	30,220
2024	29,490
2025	17,800
	\$ 136,750

15. 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 housing units and improvements detailed in Note 5. 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,	
2021	\$ 120,000
2022	19,862
2023	71,737
2024	20,000
2028	68,998
	\$ 300,597

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16. Subsequent Event

Subsequent events have been evaluated through December 3, 2020, 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 as of this date other than those discussed in Notes 1, 7, and 9.