

HOMESTRETCH, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 27, 2021

HOMESTRETCH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|--|--------------|--------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 652,414 | \$ 729,547 |
| Grant receivable | 7,797 | - |
| Pledges receivable, net | 17,750 | 26,144 |
| Prepaid expenses | 7,633 | 4,253 |
| Cash restricted for long term purposes | 12,385 | 26,327 |
| Property and equipment, net | 2,585,790 | 2,647,140 |
| Intangible assets, net | 8,793 | 10,095 |
| Other assets | - | 100 |
| Total assets | \$ 3,292,562 | \$ 3,443,606 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 31,819 | \$ 38,623 |
| Deferred revenue and refundable advances | 56,474 | 69,584 |
| Paycheck Protection Program loan | - | 89,400 |
| Line of credit | 375 | - |
| Notes payable | 170,636 | 244,328 |
| Total liabilities | 259,304 | 441,935 |
| Net assets: | | |
| Without donor restrictions | | |
| Available for operations | 419,823 | 409,930 |
| Invested in property and equipment, net of related debt | 2,414,780 | 2,402,812 |
| Total net assets without donor restrictions | 2,834,603 | 2,812,742 |
| With donor restrictions | 198,655 | 188,929 |
| Total net assets | 3,033,258 | 3,001,671 |
| Total liabilities and net assets | \$ 3,292,562 | \$ 3,443,606 |

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

HOMESTRETCH, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | Without Donor Restrictions | With Donor Restrictions | 2021 Total | Without Donor Restrictions | With Donor Restrictions | 2020 Total |
|--|-------------------------------|----------------------------|------------------|-------------------------------|----------------------------|------------------|
| Revenues, gains and other support: | | | | | | |
| Grants and contracts | \$ - | \$ 290,979 | \$ 290,979 | \$ - | \$ 186,564 | \$ 186,564 |
| United Way | 13,991 | 50,000 | 63,991 | 6,338 | 6,222 | 12,560 |
| Contributions | 262,736 | 148,600 | 411,336 | 274,370 | 123,538 | 397,908 |
| Special events, net of expenses of \$3,170 in 2021 and \$37,983 in 2020 | 1,691 | - | 1,691 | 84,637 | - | 84,637 |
| In-kind contributions | 18,435 | - | 18,435 | 103,858 | - | 103,858 |
| Rental income, net of abatements of \$104,724 in 2021 | 188,513 | - | 188,513 | 292,691 | - | 292,691 |
| Paycheck Protection Program loan forgiveness | 89,400 | - | 89,400 | - | - | - |
| Other income | 1,925 | - | 1,925 | 436 | - | 436 |
| Net assets released from restrictions | 479,853 | (479,853) | - | 351,351 | (351,351) | - |
| Total revenues, gains and other support | 1,056,544 | 9,726 | 1,066,270 | 1,113,681 | (35,027) | 1,078,654 |
| Expenses: | | | | | | |
| Program services | 794,464 | - | 794,464 | 715,147 | - | 715,147 |
| Supporting services: | | | | | | |
| Management and general | 196,245 | - | 196,245 | 199,731 | - | 199,731 |
| Fundraising | 43,974 | - | 43,974 | 42,810 | - | 42,810 |
| Total expenses | 1,034,683 | - | 1,034,683 | 957,688 | - | 957,688 |
| Increase (decrease) in net assets | 21,861 | 9,726 | 31,587 | 155,993 | (35,027) | 120,966 |
| Net assets, beginning of year | 2,812,742 | 188,929 | 3,001,671 | 2,656,749 | 223,956 | 2,880,705 |
| Net assets, end of year | \$ 2,834,603 | \$ 198,655 | \$ 3,033,258 | \$ 2,812,742 | \$ 188,929 | \$ 3,001,671 |

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

HOMESTRETCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

| | Program Services | | | Supporting Services | | | 2021 Total | 2020 Total |
|--|-------------------------|-----------------------|------------------|---------------------------|-------------|---------------------|---------------|---------------|
| | Transitional Housing | Affordable Housing | Total Program | Management and General | Fundraising | Total Supporting | | |
| Salaries | \$ 147,596 | \$ 102,566 | \$ 250,162 | \$ 68,776 | \$ 28,517 | \$ 97,293 | \$ 347,455 | \$ 391,142 |
| Payroll tax and benefits | 32,335 | 22,470 | 54,805 | 14,264 | 6,006 | 20,270 | 75,075 | 78,188 |
| Family contingency assistance | 138,168 | 5,014 | 143,182 | - | - | - | 143,182 | 25,619 |
| Board expense | - | - | - | - | - | - | - | 786 |
| Utilities | 55,897 | 5,173 | 61,070 | - | - | - | 61,070 | 64,202 |
| Repairs and maintenance | 35,927 | 3,818 | 39,745 | - | - | - | 39,745 | 61,037 |
| Property management | 7,729 | 9,974 | 17,703 | - | - | - | 17,703 | 14,776 |
| Office and property rental | 8,172 | 5,679 | 13,851 | 10,449 | - | 10,449 | 24,300 | 33,000 |
| Insurance | 14,244 | 9,899 | 24,143 | 10,392 | - | 10,392 | 34,535 | 31,457 |
| Client workshops and volunteer services | 5,417 | 3,765 | 9,182 | - | - | - | 9,182 | 856 |
| Printing and postage | - | - | - | 371 | - | 371 | 371 | 1,690 |
| Donated client supplies | 7,478 | 5,197 | 12,675 | - | - | - | 12,675 | 15,894 |
| Office expense | 6,664 | 4,631 | 11,295 | 11,296 | - | 11,296 | 22,591 | 23,670 |
| Professional fees | - | - | - | 60,111 | - | 60,111 | 60,111 | 32,265 |
| Advertising | - | - | - | 3,335 | - | 3,335 | 3,335 | 3,388 |
| Dues and subscriptions | - | - | - | 1,963 | - | 1,963 | 1,963 | 6,217 |
| Travel and training | 62 | - | 62 | 5,347 | - | 5,347 | 5,409 | 2,787 |
| Telephone | 4,806 | 3,339 | 8,145 | 8,145 | - | 8,145 | 16,290 | 16,888 |
| Bank charges and payroll service fees | 1,189 | 777 | 1,966 | 493 | 207 | 700 | 2,666 | 5,925 |
| Vehicle maintenance | 1,142 | 793 | 1,935 | - | - | - | 1,935 | 2,266 |
| Bad debt expense | - | - | - | - | 9,244 | 9,244 | 9,244 | 3,900 |
| Mortgage interest and taxes | 6,243 | 8,057 | 14,300 | - | - | - | 14,300 | 18,007 |
| Total expenses before depreciation and amortization | 473,069 | 191,152 | 664,221 | 194,942 | 43,974 | 238,916 | 903,137 | 833,960 |
| Depreciation and amortization | 76,843 | 53,400 | 130,243 | 1,303 | - | 1,303 | 131,546 | 123,728 |
| Total expenses | \$ 549,912 | \$ 244,552 | \$ 794,464 | \$ 196,245 | \$ 43,974 | \$ 240,219 | \$ 1,034,683 | \$ 957,688 |

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

HOMESTRETCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | Program Services | | | Supporting Services | | | 2020 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 |
| Payroll tax and benefits | 32,088 | 22,298 | 54,386 | 17,713 | 6,089 | 23,802 | 78,188 |
| Family contingency assistance | 25,619 | - | 25,619 | - | - | - | 25,619 |
| Board expense | - | - | - | 786 | - | 786 | 786 |
| Utilities | 58,863 | 5,339 | 64,202 | - | - | - | 64,202 |
| Repairs and maintenance | 55,718 | 5,319 | 61,037 | - | - | - | 61,037 |
| Property management | 7,346 | 7,430 | 14,776 | - | - | - | 14,776 |
| Office and property rental | 15,877 | 6,029 | 21,906 | 11,094 | - | 11,094 | 33,000 |
| Insurance | 15,943 | 8,258 | 24,201 | 7,256 | - | 7,256 | 31,457 |
| Client workshops and volunteer services | 399 | 278 | 677 | 179 | - | 179 | 856 |
| Printing and postage | 499 | 346 | 845 | 845 | - | 845 | 1,690 |
| Donated client supplies | 9,377 | 6,517 | 15,894 | - | - | - | 15,894 |
| Office expense | 6,983 | 4,852 | 11,835 | 11,835 | - | 11,835 | 23,670 |
| Professional fees | - | - | - | 32,265 | - | 32,265 | 32,265 |
| Advertising | - | - | - | 3,388 | - | 3,388 | 3,388 |
| Dues and subscriptions | - | - | - | 6,217 | - | 6,217 | 6,217 |
| Travel and training | 669 | - | 669 | 2,118 | - | 2,118 | 2,787 |
| Telephone | 8,728 | - | 8,728 | 8,160 | - | 8,160 | 16,888 |
| Bank charges and payroll service fees | 2,432 | 1,690 | 4,122 | 1,342 | 461 | 1,803 | 5,925 |
| Vehicle maintenance | 1,337 | 929 | 2,266 | - | - | - | 2,266 |
| Bad debt expense | - | - | - | - | 3,900 | 3,900 | 3,900 |
| Mortgage interest and taxes | 1,711 | 16,296 | 18,007 | - | - | - | 18,007 |
| Total expenses before depreciation and amortization | 399,085 | 193,637 | 592,722 | 198,428 | 42,810 | 241,238 | 833,960 |
| Depreciation and amortization | 72,231 | 50,194 | 122,425 | 1,303 | - | 1,303 | 123,728 |
| Total expenses | \$ <u>471,316</u> | \$ <u>243,831</u> | \$ <u>715,147</u> | \$ <u>199,731</u> | \$ <u>42,810</u> | \$ <u>242,541</u> | \$ <u>957,688</u> |

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

HOMESTRETCH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|--|------------|------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 31,587 | \$ 120,966 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 130,244 | 122,425 |
| Amortization | 1,302 | 1,303 |
| In-kind donation of building and equipment | - | (74,000) |
| Cash contributions restricted for debt retirement | (50,000) | (50,000) |
| Change in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Grant receivable | (7,797) | 50,000 |
| Pledges receivable | 8,394 | 7,750 |
| Prepaid expenses | (3,380) | 319 |
| Other assets | 100 | 2,376 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (6,804) | 1,111 |
| Deferred revenue and refundable advances | (13,110) | 67,065 |
| Total adjustments | 58,949 | 128,349 |
| Net cash provided by operating activities | 90,536 | 249,315 |
| Cash flows from investing activities: | | |
| Purchase of equipment and building improvements | (68,894) | (323,720) |
| Net cash used in investing activities | (68,894) | (323,720) |
| Cash flows from financing activities: | | |
| Borrowings on Paycheck Protection Program loan | - | 89,400 |
| Forgiveness on Paycheck Protection Program loan | (89,400) | - |
| Borrowings on line of credit | 375 | - |
| Borrowings on notes payable | - | 177,660 |
| Repayments on notes payable | (73,692) | (74,081) |
| Cash contributions restricted for debt retirement | 50,000 | 50,000 |
| Net cash provided by (used in) financing activities | (112,717) | 242,979 |
| Net increase (decrease) in cash and cash equivalents | (91,075) | 168,574 |
| Cash and cash equivalents, beginning of year | 755,874 | 587,300 |
| Cash and cash equivalents, end of year | \$ 664,799 | \$ 755,874 |
| Supplemental disclosure of cash flow information: | | |
| Noncash financing transaction - | | |
| Cash paid for interest | \$ 9,962 | \$ 4,147 |

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

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020.

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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, 2021 AND 2020

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:

| | 2021 | 2020 |
|-------------------------|-----------|------------|
| Building and equipment | \$ - | \$ 74,000 |
| Donated client supplies | 12,675 | 15,894 |
| Rent | - | 7,200 |
| Professional fees | 5,760 | 6,764 |
| Total | \$ 18,435 | \$ 103,858 |

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, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020.

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020 was \$2,297 and \$3,388, 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, 2021 and 2020, totaled \$166,483 and \$510,199 respectively. Management believes the credit risk related to these balances is not significant.

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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.

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, 2021 AND 2020

2. Liquidity and Availability of Financial Assets – Continued

The Agency’s financial assets at June 30 (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:

| | | 2021 | | 2020 |
|---|----|-----------|----|-----------|
| Cash and cash equivalents | \$ | 664,799 | \$ | 755,874 |
| Grant receivable | | 7,797 | | - |
| Pledges receivable | | 17,750 | | 26,144 |
| Total financial assets | | 690,346 | | 782,018 |
| Less: | | | | |
| Donor restricted cash | | (180,905) | | (162,785) |
| Pledges receivable | | (6,000) | | (11,935) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ | 503,441 | \$ | 607,298 |

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 8, 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, 2021 and 2020.

During 2020 and 2021 the global coronavirus pandemic has threatened 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 volatility as a result of the pandemic. It is uncertain how a 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 at June 30, 2020 from the United States Small Business Administration’s Paycheck Protection Program (PPP), as further discussed in Note 7.

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
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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:

| | 2021 | 2020 |
|---|------------|------------|
| Cash without donor restrictions | \$ 483,894 | \$ 593,089 |
| Cash with donor restrictions | 168,520 | 136,458 |
| Cash and cash equivalents | 652,414 | 729,547 |
| Cash restricted for building improvements and equipment | 12,385 | 26,327 |
| Cash restricted for long-term purposes | 12,385 | 26,327 |
| Total cash and cash equivalents for purposes of the statements of cash flows | \$ 664,799 | \$ 755,874 |

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. During the year ended June 30, 2021, the Agency wrote off \$12,337 in uncollectible pledges receivable. Total campaign pledges through June 30, 2021 and 2020 were \$152,179 and \$164,516, of which the Agency estimates \$152,179 and \$163,222 will be collected, respectively, and was recorded in contributions in the Statements of Activities. The Agency also receives indirect pledge contributions from the Roswell Presbyterian Church.

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

| | 2021 | 2020 |
|---|------------|------------|
| Circle of 500 pledges receivable, net of uncollectible amounts | \$ 152,179 | \$ 163,222 |
| Total payments against pledges | (143,679) | (141,179) |
| | 8,500 | 22,043 |
| Present value discount (5% effective rate) | (750) | (2,599) |
| Circle of 500 pledges receivable, net | 7,750 | 19,444 |
| Roswell Presbyterian Church | 10,000 | 6,700 |
| Pledges receivable, net | \$ 17,750 | \$ 26,144 |

The Agency anticipates that approximately \$11,750 of the outstanding pledges receivable will be collected within one year with the remaining balance to be collected within 4 years.

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

5. Property and Equipment, Net

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

| | 2021 | 2020 |
|-----------------------------------|--------------|--------------|
| Land and land improvements | \$ 602,402 | \$ 602,402 |
| Housing units and improvements | 3,352,009 | 3,215,110 |
| Furniture and equipment | 83,610 | 77,615 |
| Software | 26,326 | 26,326 |
| Vehicles | 25,000 | 31,789 |
| Construction in progress | - | 74,000 |
| | 4,089,347 | 4,027,242 |
| Less accumulated depreciation | (1,503,557) | (1,380,102) |
| Total property and equipment, net | \$ 2,585,790 | \$ 2,647,140 |

For the years ended June 30, 2021 and 2020, depreciation expense was \$130,244 and \$122,425, respectively. As described in Note 13, \$180,597 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:

| | 2021 | |
|------------------------------------|------------------------------------|-----------------------|
| | Deferred Revenue Special Events | Refundable Advance |
| Beginning of year | \$ 31,270 | \$ 38,314 |
| Recognized during the year | - | (238,314) |
| Received in advance of performance | 25,204 | 200,000 |
| End of year | \$ 56,474 | \$ - |
| | 2020 | |
| | Deferred Revenue Special Events | Refundable Advance |
| Beginning of year | \$ 2,519 | \$ - |
| Recognized during the year | (7,336) | (20,686) |
| Received in advance of performance | 36,087 | 59,000 |
| End of year | \$ 31,270 | \$ 38,314 |

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

7. 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.

In April 2021, the SBA approved forgiveness for the full amount of the PPP loan. Therefore, the proceeds of \$89,400 are recorded in the Statement of Activities for the year ended June 30, 2021.

8. 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%. In July 2021, the line of credit maturity date was extended to July 2022 and an interest rate floor of 4.5% was added to the terms. The interest rate was 4.50% and 6.50% at June 30, 2021 and 2020, respectively. There were borrowings of \$375 on the line of credit at June 30, 2021. There was no outstanding balance on this line of credit for the year ended June 30, 2020.

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
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9. Notes Payable

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

| | 2021 | 2020 |
|---|-------------------|-------------------|
| 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 |
| 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. | 170,636 | 176,660 |
| Total notes payable | \$ <u>170,636</u> | \$ <u>244,328</u> |

Principal maturities of debt required under this agreement subsequent to year ended June 30, 2021 are as follows:

For the years ending June 30,

| | |
|------------|------------|
| 2022 | \$ 6,359 |
| 2023 | 6,608 |
| 2024 | 6,867 |
| 2025 | 7,136 |
| 2026 | 7,416 |
| Thereafter | 136,250 |
| | \$ 170,636 |

The interest expense incurred on the note payable for the years ended June 30, 2021 and 2020 is \$9,962 and \$4,147, respectively.

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
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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:

| | 2021 | 2020 |
|---|------------|------------|
| Pledges receivable (see Note 4) | \$ 17,750 | \$ 26,144 |
| Purpose restrictions: | | |
| Family contingency | 34,814 | 46,745 |
| Life skills | 52,521 | 3,798 |
| Property enhancement and community enrichment | 21,069 | 25,245 |
| Family and youth development | 67,960 | 77,418 |
| Staff development | 4,541 | 9,579 |
| | 180,905 | 162,785 |
| Net assets with donor restrictions | \$ 198,655 | \$ 188,929 |

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:

| | 2021 | 2020 |
|---|------------|------------|
| Pledges receivable | \$ 18,395 | \$ 29,450 |
| Purpose restrictions: | | |
| Family contingency | 248,742 | 23,656 |
| Life skills | 1,277 | 500 |
| Property enhancement and community enrichment | 84,839 | 101,951 |
| Family and youth development | 71,562 | 129,130 |
| Staff development | 5,038 | 3,664 |
| Debt reduction | 50,000 | 63,000 |
| | 461,458 | 321,901 |
| Net assets released from restrictions | \$ 479,853 | \$ 351,351 |

HOMESTRETCH, INC.
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12. 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 \$29,057 and \$30,404 for the years ended June 30, 2021 and 2020, respectively. Future minimum payments under these operating leases as of June 30, 2020 are as follows:

| Year ended June 30, | | |
|---------------------|----|---------|
| 2022 | \$ | 29,920 |
| 2023 | | 30,220 |
| 2024 | | 29,490 |
| 2025 | | 17,800 |
| | \$ | 107,430 |

13. 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, | | |
|---------------------|----|---------|
| 2022 | \$ | 6,622 |
| 2023 | | 35,871 |
| 2024 | | 12,000 |
| 2027 | | 53,664 |
| | \$ | 108,157 |

HOMESTRETCH, INC.
NOTES TO FINANCIAL STATEMENTS
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14. 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, 2021 and 2020, totaled \$5,236 and \$6,321, respectively.

15. Related Party Transactions

During the year ended June 30, 2021, the Agency outsourced its bookkeeping to a firm which is owned by a member of the Board of Trustees. The Agency paid the firm \$19,305 for bookkeeping services during the year ended June 30, 2021. A payable of \$4,155 was due to the firm at June 30, 2021.

16. Subsequent Event

Subsequent events have been evaluated through October 27, 2021, 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 as disclosed in Note 8.