

THE DRAKE HOUSE, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2019
(With Comparative Totals for 2018)

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Santi & Associates, PC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
The Drake House, Inc.
Roswell, Georgia

We have audited the accompanying consolidated financial statements of The Drake House, Inc. (a nonprofit organization) and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Drake House, Inc. and Affiliate as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2018 consolidated financial statements of The Drake House, Inc. and Affiliate, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Santis Associates, PC". The signature is written in a cursive, flowing style.

Alpharetta, Georgia
October 11, 2019

THE DRAKE HOUSE, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019
(With Comparative Totals for 2018)

Assets	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 960,277	\$ 1,368,771
Contributions receivable	89,448	100,323
Grants receivable	70,791	-
Other receivables	19,750	13,150
Prepaid expenses	-	2,800
The Drake Closets inventory	75,229	59,140
Other current assets	<u>11,926</u>	<u>19,958</u>
Total current assets	<u>1,227,421</u>	<u>1,564,142</u>
Property and Equipment		
Property and equipment, net	<u>3,437,744</u>	<u>3,256,270</u>
Other Assets		
Deposits	<u>11,870</u>	<u>8,070</u>

Assets	\$ 4,677,035	\$ 4,828,482
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The accompanying notes are an integral part of these consolidated financial statements.

Liabilities and Net Assets

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Current portion of note payable	\$ -	\$ 16,997
Accounts payable	11,332	21,195
Accrued expenses	2,190	1,975
Other payables	7,200	4,900
Tenant savings	8,168	12,746
	<u>28,890</u>	<u>57,813</u>
Long-Term Debt		
Note payable, less current portion and unamortized debt issuance costs	<u>-</u>	<u>488,663</u>
Net Assets		
Without donor restrictions	4,600,775	4,161,345
With donor restrictions	<u>47,370</u>	<u>120,661</u>
	<u>4,648,145</u>	<u>4,282,006</u>

Liabilities and Net Assets

\$ 4,677,035

\$ 4,828,482

THE DRAKE HOUSE, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Revenues, Grants, and Other Support				
Contributions	\$ 776,907	\$ 82,600	\$ 859,507	\$ 951,545
Grant revenue	15,265	194,457	209,722	1,019,607
Special events	282,283	-	282,283	278,795
The Drake Closets, net revenue	293,266	-	293,266	221,977
In-kind donations	18,535	86,659	105,194	337,597
Rental revenue, net	91,349	-	91,349	60,243
Investment income, net	7,413	-	7,413	8,084
Other revenue	-	-	-	1,324
	<u>1,485,018</u>	<u>363,716</u>	<u>1,848,734</u>	<u>2,879,172</u>
Net assets released from restrictions:				
Satisfaction of donor restrictions	177,815	(177,815)	-	-
Satisfaction of program restrictions	259,192	(259,192)	-	-
	<u>437,007</u>	<u>(437,007)</u>	<u>-</u>	<u>-</u>
Total revenues, grants, and other support	<u>1,922,025</u>	<u>(73,291)</u>	<u>1,848,734</u>	<u>2,879,172</u>
Expenses and Losses				
Program services	1,231,795	-	1,231,795	1,118,433
Management and general	141,129	-	141,129	137,486
Fundraising	109,671	-	109,671	111,270
Total expenses and losses	<u>1,482,595</u>	<u>-</u>	<u>1,482,595</u>	<u>1,367,189</u>
Change in Net Assets	439,430	(73,291)	366,139	1,511,983
Net Assets, Beginning of Year	<u>4,161,345</u>	<u>120,661</u>	<u>4,282,006</u>	<u>2,770,023</u>
Net Assets, End of Year	<u>\$ 4,600,775</u>	<u>\$ 47,370</u>	<u>\$ 4,648,145</u>	<u>\$ 4,282,006</u>

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

THE DRAKE HOUSE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

**Year Ended June 30, 2019
(With Comparative Totals for 2018)**

	2019				
	General Program Services	The Drake Closets	Total Program Services	Management & General	Fundraising
Salaries and related expenses	\$ 453,398	\$ 43,772	\$ 497,170	\$ 87,998	\$ 58,070
Payroll taxes and benefits	99,350	9,372	108,722	19,225	12,728
Contract labor	8,400	-	8,400	-	-
Supplies and office expenses	38,081	7,763	45,844	3,064	2,626
Advertising	6,664	4,461	11,125	536	460
Repairs and maintenance	26,867	12,914	39,781	2,162	1,853
Equipment rentals	4,561	599	5,160	367	315
Furnishings	-	743	743	-	-
Interest and financing costs	18,221	-	18,221	-	-
Utilities	41,995	21,332	63,327	3,379	2,896
Occupancy	-	111,029	111,029	-	-
Property taxes	13,074	228	13,302	1,052	902
Postage and delivery	410	8	418	33	28
Insurance	22,935	1,844	24,779	1,845	1,582
Travel	3,598	371	3,969	290	248
Printing	1,274	235	1,509	102	88
Professional fees	86,290	-	86,290	6,943	5,951
Special event expenses	-	-	-	-	9,809
Workshops	15,542	525	16,067	1,251	1,072
Membership and dues	1,096	-	1,096	88	76
Contributions	11,582	-	11,582	-	-
Depreciation	136,030	-	136,030	10,945	9,382
Miscellaneous	19,649	3,247	22,896	1,581	1,355
Bad debt	1,000	-	1,000	-	-
Loss on disposal of assets	3,335	-	3,335	268	230
	<u>\$ 1,013,352</u>	<u>\$ 218,443</u>	<u>\$ 1,231,795</u>	<u>\$ 141,129</u>	<u>\$ 109,671</u>

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

Total	
2019	2018
\$ 643,238	\$ 623,353
140,675	130,477
8,400	8,400
51,534	37,791
12,121	29,424
43,796	38,867
5,842	4,826
743	429
18,221	52,562
69,602	61,385
111,029	101,366
15,256	11,957
479	1,390
28,206	26,883
4,507	5,006
1,699	1,408
99,184	27,980
9,809	16,465
18,390	16,074
1,260	1,024
11,582	11,701
156,357	130,105
25,832	26,500
1,000	-
3,833	1,816
<u>\$ 1,482,595</u>	<u>\$ 1,367,189</u>

THE DRAKE HOUSE, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash Flow from Operating Activities		
Change in net assets	\$ 366,139	\$ 1,511,983
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	156,357	130,105
Interest related to amortization of debt issuance costs	6,840	1,800
Loss on disposal of assets	3,833	1,816
Noncash contributions of property and equipment	(96,594)	(312,876)
(Increase) Decrease in:		
Contributions receivable	10,875	(30,070)
Grants receivable	(70,791)	-
Other receivables	(6,600)	(2,888)
Prepaid expenses	2,800	2,004
The Drake Closets inventory	(16,089)	(3,735)
Other current assets	8,032	(2,442)
Deposits	(3,800)	1,500
Increase (Decrease) in:		
Accounts payable	(9,863)	12,802
Accrued expenses	215	113
Other payables	2,300	(3,041)
Tenant savings	(4,578)	(2,485)
Net cash provided by operating activities	349,076	1,304,586
Cash Flow from Investing Activities		
Assets in progress	-	12,900
Purchase of property and equipment	(245,070)	(384,453)
Gross proceeds from sale of asset	-	8,500
Net cash used in investing activities	(245,070)	(363,053)
Cash Flow from Financing Activities		
Net payments on note payable	(512,500)	(497,480)
Net cash used in financing activities	(512,500)	(497,480)

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

	<u>2019</u>	<u>2018</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(408,494)	444,053
Cash and Cash Equivalents at Beginning of Year	<u>1,368,771</u>	<u>924,718</u>
Cash and Cash Equivalents at End of Year	<u>\$ 960,277</u>	<u>\$ 1,368,771</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year ended June 30, 2019 was as follows:

Interest	<u>\$ 13,737</u>
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All interest incurred was expensed.

Noncash Investing and Financing Activities:

In-kind contributions:

Apartment improvements	\$ 86,659
Clothing	242,999
Computer equipment	6,102
Professional services	8,600
Vehicle	<u>3,833</u>
	<u>\$ 348,193</u>

Property and equipment acquired through noncash contributions	<u>\$ 96,594</u>
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THE DRAKE HOUSE, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Drake House, Inc. (the Organization) and The Drake Village, LLC (the Affiliate) is presented to assist in understanding the consolidated financial statements of the Organization and Affiliate. The consolidated financial statements and notes are representations of the Organization's management, who are responsible for their integrity and objectivity.

1. Nature of Organization

The Organization was incorporated under the laws of the State of Georgia on March 30, 2004. Its defined mission is to provide a lifeline of supportive housing and enrichment programs for homeless mothers and their children in north metro Atlanta, Georgia. The program is designed to create an environment that allows homeless families to be included in community life, exert greater control over their life circumstances, develop and exercise their competencies and talents, and experience personal security and self-respect. The Organization is an integral part of the community, facilitating financial security and housing stability.

The Drake Closets are retail outlets that provide residents with interview and work clothing, as well as sell quality used clothing and new and used jewelry to raise funds to support the mission of the Organization.

The Affiliate was incorporated under the laws of the State of Georgia on December 16, 2016. It is operated exclusively to further the charitable purpose of the Organization.

2. Basis of Presentation

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*. ASC 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two classes of net assets. A description of the two classes of net assets follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to or are no longer subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions

Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are recorded as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as with donor restrictions even if those donor restrictions were met in the year the contributions were received.

THE DRAKE HOUSE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

4. Cash and Cash Equivalents

The Organization and Affiliate consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

5. Inventory

Inventory for The Drake Closets is stated at net realizable value at June 30, 2019.

6. Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally using the straight-line methods.

The estimated useful lives in determining depreciation are:

	<u>Years</u>
Buildings	31.5
Furniture and fixtures	7
Equipment	3 - 10
Vehicles	5
Software	3 - 5
Website design	3
Improvements	7 - 10

Expenditures for property and equipment and for improvements, which extend the original estimated economic life of the asset, exceeding \$2,000, are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. When an asset is sold or otherwise disposed, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statement of activities.

Depreciation expense for the year ended June 30, 2019 was \$156,357.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

THE DRAKE HOUSE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

7. Donated Services

Many volunteers have made significant contributions of their time to develop and promote the programs of the Organization and Affiliate. The value of these donated services is not included in the accompanying consolidated financial statements, as such services do not create or enhance non-financial assets or require specialized skills.

8. Functional Allocation of Expenses

The costs of providing the program and supporting activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among program and supporting services, based on their nature and purpose, while other costs are directly charged to the functions they benefit. Expenses have been classified based on actual direct expenditures and cost allocations based on estimates made by the Organization.

9. Liability for Amounts Held for Others

The Organization holds and manages investments, which belong to the tenants in the housing units. In accordance with *FASB ASC 958*, these investments have been reported as a liability for amounts held for others.

10. Contributions and Other Revenues

In accordance with *FASB ASC 958*, unconditional contributions and special grants are recognized when pledged and recorded as net assets without restrictions or net assets with restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets with donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of property and equipment are reported as net assets without donor restrictions upon acquisition of the assets and the assets are placed in service.

11. Advertising

Advertising costs are expensed as incurred. Advertising expense, for the year ended June 30, 2019, was \$12,121.

12. Prior Year Information

The consolidated financial statements include certain prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2018, from which the summarized totals were derived. Certain reclassifications of prior year comparative totals have been made in order to conform to the current year presentation. These changes did not affect net assets.

THE DRAKE HOUSE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

13. Income Taxes

The Drake House, Inc. and The Drake Village, LLC, nonprofit organizations operating under Section 501(c)(3) of the Internal Revenue Code, are exempt from federal, state, and local income taxes; and accordingly, no provision for income taxes is included in the accompanying consolidated financial statements for the Organization and Affiliate.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and Affiliate and recognize a tax liability (or asset) if the Organization or Affiliate have taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service and Georgia Department of Revenue. Management has analyzed the tax positions taken by the Organization and Affiliate, and has concluded that as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Organization and Affiliate are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

14. Subsequent Events

Subsequent events have been evaluated through October 11, 2019, which is the date the consolidated financial statements were issued.

15. New Accounting Pronouncement

During the year ended June 30, 2019, the Organization adopted the requirements of the FASB's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these consolidated financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note N).

The accompanying summarized information from the 2018 consolidated financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14. As a result, previously reported unrestricted net assets of \$4,161,345 are now shown as net assets without donor restrictions and previously reported temporarily restricted net assets of \$120,661 are now shown as net assets with donor restrictions.

THE DRAKE HOUSE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following on June 30, 2019:

Cash	\$ 904,739
Tenant savings	8,168
Restricted cash	<u>47,370</u>
	<u><u>\$ 960,277</u></u>

NOTE C – FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

The financial instruments of the Organization and Affiliate that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization and Affiliate maintain their cash deposits with highly rated financial institutions. At times, such deposits may be in excess of federally insured limits. At June 30, 2019, the Organization and Affiliate maintained \$468,532 in uninsured cash deposits. The Organization and Affiliate have not experienced any losses in such accounts and believe it is not exposed to any significant risk of loss.

NOTE D – CONTRIBUTIONS RECEIVABLE

During the year ended June 30, 2017, the Organization began a \$1,600,000 capital campaign to raise funds for the purchase of property, including sixteen apartment homes, and renovation of such property to provide additional housing to further promote the Organization's mission of facilitating financial security and housing stability for homeless mothers and their children in north metro Atlanta, Georgia.

The Organization had total contributions of \$859,507 during the year ended June 30, 2019, and contributions receivable was \$89,448 at June 30, 2019.

Delinquent receivables are written off based on individual and specific circumstances as determined by management. The Organization and Affiliate consider receivables to be fully collectible. Accordingly, no allowance for uncollectible contributions has been provided.

THE DRAKE HOUSE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment, as of June 30, 2019, is summarized as follows:

Buildings	\$ 2,957,564
Land	462,346
Improvements	644,723
Leasehold improvements	15,277
Furniture and fixtures	25,390
Equipment	97,238
Vehicles	47,619
Software	18,552
Website design	<u>4,827</u>
	4,273,536
Less accumulated depreciation	<u>(835,792)</u>
	<u><u>\$ 3,437,744</u></u>

NOTE F – NOTE PAYABLE

On February 14, 2017, the Affiliate entered into a \$1,012,500 note payable with Renasant Bank for the purchase of apartment buildings, which are used to provide supportive housing to families in need. Beginning on March 15, 2017, the note required interest only payments for 24 consecutive months and bore interest at the U.S. prime rate as published in The Wall Street Journal plus a margin of .5%. Beginning on March 15, 2019, the note required 10 consecutive principal and interest payments in the initial amount of \$6,569, bearing interest at the weekly average yield on U.S. treasury securities adjusted to a constant maturity of 3 years plus a 3.25% margin. The note was scheduled to mature on January 15, 2020, which at that time all remaining principal and interest would have become due. The note was secured by the financed apartment buildings. During the year ended June 30, 2019, the note was paid in full by the Affiliate; therefore, there was no outstanding balance on this note payable at June 30, 2019.

NOTE G – LINE OF CREDIT

On September 29, 2016, the Organization entered into a revolving line of credit agreement with State Bank and Trust Company (presently Cadence Bank) for \$150,000. Borrowings under this agreement bore monthly interest at 4.65%. Balances outstanding were secured by real property, the apartment buildings, and substantially all equipment and fixtures located at these buildings. The line of credit matured on September 29, 2018 and was not renewed by the Organization.

THE DRAKE HOUSE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE H – FUNDS HELD FOR OTHERS

The Organization has agreed to take receipt of funds to encourage its tenants to save while they reside in the provided housing. This is a voluntary contribution from the tenant with no restrictions on these funds. The Organization does not charge any fees associated with the savings, and it holds the money in a checking account. At June 30, 2019, the balance in this account was \$8,168.

NOTE I – COMMITMENTS

The Organization has entered into operating leases in Roswell, Alpharetta, and Sandy Springs, Georgia for three locations of The Drake Closet. The monthly rental obligation for the Roswell location is \$2,700 on June 30, 2019 and will increase to \$2,800 in October 2019 until its expiration in September 2020. The monthly rental obligation for the Alpharetta location was \$3,800 at June 30, 2019 and will be increased by 3% annually until its expiration in July 2024. The monthly rental obligation for the Sandy Springs location is \$3,065 at June 30, 2019 and will increase by 3% annually until its expiration in September 2021. Rent expense associated with these leases was \$111,029 for the year ended June 30, 2019.

The Organization entered into an operating lease for a copier. The terms of the operating lease include 60 monthly payments of \$139, beginning March 2017 and expiring February 2022. This agreement requires the Organization to pay executor costs (real estate taxes, insurance, and repairs).

Future minimum lease payments for these operating leases are as follows:

Year Ended	
<u>June 30,</u>	
2020	\$ 114,379
2021	95,661
2022	59,128
2023	49,707
2024	51,199
2025	<u>4,277</u>
	<u>\$ 374,351</u>

On August 13, 2018, the Affiliate entered into an agreement with HomeAid Atlanta for its assistance with the donation of goods and services needed to complete the renovation of one of the Affiliate's apartment complexes. The Affiliate was responsible for the financial requirements of the renovation project, with exception of the in-kind donations of labor and materials as received from HomeAid Atlanta during the renovation. The Affiliate incurred a proportionate share of insurance premiums for the renovation project, of which a total of \$1,643 was paid during the year ended June 30, 2019. The Organization additionally made a contribution to HomeAid Atlanta totaling \$4,333 during the year ended June 30, 2019. The HomeAid Atlanta renovation project was completed in full during the year ended June 30, 2019.

THE DRAKE HOUSE, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE J – PENSION PLAN

On October 1, 2008, the Organization started and continues to maintain a Simplified Employee Pension (SEP) Plan. This plan allows employees who meet eligibility requirements to receive discretionary contributions from the Organization. For the year ended June 30, 2019, the Organization made discretionary contributions of \$38,238.

NOTE K – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2019:

Subject to expenditure for specified purpose:	
Housing assistance	\$ 31,347
Life skills workshops	3,281
Scholarships and certifications	9,400
Technology	<u>3,342</u>
Total net assets with donor restrictions	<u>\$ 47,370</u>

NOTE L – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the year ended June 30, 2019 are as follows:

Purpose restrictions accomplished:	
After school program	\$ 82,248
Capital improvements	131,241
Career coach	13,438
Emergency assistance and housing	97,100
Housing assistance	7,757
Life skills workshops	1,248
Mass shelter	52,901
North Fulton Poverty Task Force	4,500
Playground and pavilion	974
Scholarships and certifications	600
Van	<u>45,000</u>
	<u>\$ 437,007</u>

THE DRAKE HOUSE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE M – CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of the Organization and Affiliate are consolidated since the Organization is the sole member of the Affiliate and both entities are controlled by the same management. All significant intercompany accounts and transactions have been eliminated upon consolidation.

NOTE N – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a policy to manage its liquidity by structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization has maintained sufficient reserves that are invested in money market and certificate of deposit accounts. To help manage unanticipated liquidity needs, the Organization could open a committed line of credit, which it could draw upon.

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 912,907
Contributions receivable	89,448
Grants receivable	70,791
Other receivables	19,750
The Drake Closets inventory	75,229
Other current assets	<u>11,926</u>
	<u>\$ 1,180,051</u>