

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

Year Ended June 30, 2020
(With Comparative Totals for 2019)

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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 financial statements of The Drake House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 The Drake House, Inc. as of June 30, 2020, and the changes in its net assets and its 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 2019 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 October 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 "Santa's Accountants, PC". The signature is written in a cursive, flowing style.

Alpharetta, Georgia
October 15, 2020

THE DRAKE HOUSE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2020

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash, cash equivalents, and restricted cash	\$ 1,579,983	\$ 960,277
Contributions receivable	39,866	89,448
Grants receivable	-	70,791
Other receivables	28,734	19,750
The Drake Closets inventory	55,984	75,229
Other current assets	<u>36,665</u>	<u>11,926</u>
Total current assets	<u>1,741,232</u>	<u>1,227,421</u>
Property and Equipment		
Property and equipment, net	<u>3,417,694</u>	<u>3,437,744</u>
Other Assets		
Deposits	<u>11,170</u>	<u>11,870</u>
<hr/>		
Assets	\$ 5,170,096	\$ 4,677,035

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

Liabilities and Net Assets

	<u>2020</u>	<u>2019</u>
Current Liabilities		
Paycheck Protection Program loan	\$ 174,862	\$ -
Accounts payable	113,511	11,332
Accrued expenses	879	2,190
Other payables	6,000	7,200
Tenant savings	13,575	8,168
	<u>308,827</u>	<u>28,890</u>
Net Assets		
Without donor restrictions	4,830,040	4,600,775
With donor restrictions	31,229	47,370
	<u>4,861,269</u>	<u>4,648,145</u>

Liabilities and Net Assets

\$ 5,170,096

\$ 4,677,035

THE DRAKE HOUSE, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Without	With	Total	
	Donor Restrictions	Donor Restrictions	2020	2019
Revenues, Grants, and Other Support				
Contributions	\$ 776,752	\$ 144,394	\$ 921,146	\$ 859,507
Grant revenue	20,655	230,991	251,646	209,722
Special events	345,263	-	345,263	282,283
The Drake Closets, net revenue	170,145	-	170,145	293,266
In-kind donations	25,238	-	25,238	105,194
Rental revenue, net	118,239	-	118,239	91,349
Investment income, net	7,652	-	7,652	7,413
	<u>1,463,944</u>	<u>375,385</u>	<u>1,839,329</u>	<u>1,848,734</u>
Net assets released from restrictions:				
Satisfaction of donor restrictions	46,536	(46,536)	-	-
Satisfaction of program restrictions	344,990	(344,990)	-	-
	<u>391,526</u>	<u>(391,526)</u>	<u>-</u>	<u>-</u>
Total revenues, grants, and other support	<u>1,855,470</u>	<u>(16,141)</u>	<u>1,839,329</u>	<u>1,848,734</u>
Expenses and Losses				
Program services	1,405,642	-	1,405,642	1,231,795
Management and general	122,932	-	122,932	141,129
Fundraising	97,631	-	97,631	109,671
Total expenses and losses	<u>1,626,205</u>	<u>-</u>	<u>1,626,205</u>	<u>1,482,595</u>
Change in Net Assets	229,265	(16,141)	213,124	366,139
Net Assets, Beginning of Year	<u>4,600,775</u>	<u>47,370</u>	<u>4,648,145</u>	<u>4,282,006</u>
Net Assets, End of Year	<u>\$ 4,830,040</u>	<u>\$ 31,229</u>	<u>\$ 4,861,269</u>	<u>\$ 4,648,145</u>

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

THE DRAKE HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

**Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	2020				
	General Program Services	The Drake Closets	Total Program Services	Management & General	Fundraising
Salaries and related expenses	\$ 536,535	\$ 52,934	\$ 589,469	\$ 80,429	\$ 58,775
Payroll taxes and benefits	107,539	9,482	117,021	15,818	11,798
Contract labor	10,400	-	10,400	-	-
Supplies and office expenses	62,942	9,002	71,944	3,458	2,767
Advertising	12,885	4,504	17,389	708	566
Repairs and maintenance	49,463	2,372	51,835	2,718	2,174
Equipment rentals	4,204	1,135	5,339	231	185
Furnishings	13,976	464	14,440	-	-
Interest and financing costs	-	-	-	36	-
Utilities	55,833	17,160	72,993	3,068	2,454
Occupancy	-	112,176	112,176	-	-
Property taxes	-	149	149	-	-
Postage and delivery	894	-	894	49	39
Insurance	27,379	2,183	29,562	1,504	1,204
Travel	2,918	124	3,042	161	128
Printing	820	31	851	45	36
Professional fees	47,104	-	47,104	2,588	2,071
Special event expenses	-	-	-	-	7,217
Workshops	38,082	-	38,082	1,979	-
Membership and dues	1,083	-	1,083	60	47
Contributions	12,076	-	12,076	-	-
Depreciation	149,704	-	149,704	8,226	6,580
Miscellaneous	23,049	3,236	26,285	1,854	1,590
Bad debt	22,541	-	22,541	-	-
Loss on disposal of assets	11,263	-	11,263	-	-
	<u>\$ 1,190,690</u>	<u>\$ 214,952</u>	<u>\$ 1,405,642</u>	<u>\$ 122,932</u>	<u>\$ 97,631</u>

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

Total

<u>2020</u>	<u>2019</u>
\$ 728,673	\$ 643,238
144,637	140,675
10,400	8,400
78,169	51,534
18,663	12,121
56,727	43,796
5,755	5,842
14,440	743
36	18,221
78,515	69,602
112,176	111,029
149	15,256
982	479
32,270	28,206
3,331	4,507
932	1,699
51,763	99,184
7,217	9,809
40,061	18,390
1,190	1,260
12,076	11,582
164,510	156,357
29,729	25,832
22,541	1,000
11,263	3,833
<u>\$ 1,626,205</u>	<u>\$ 1,482,595</u>

THE DRAKE HOUSE, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash Flow from Operating Activities		
Change in net assets	\$ 213,124	\$ 366,139
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	164,510	156,357
Interest related to amortization of debt issuance costs	-	6,840
Loss on disposal of assets	11,263	3,833
Noncash contributions of property and equipment	(11,263)	(96,594)
(Increase) Decrease in:		
Contributions receivable	49,582	10,875
Grants receivable	70,791	(70,791)
Other receivables	(8,984)	(6,600)
Prepaid expenses	-	2,800
The Drake Closets inventory	19,245	(16,089)
Other current assets	(24,739)	8,032
Deposits	700	(3,800)
Increase (Decrease) in:		
Accounts payable	102,179	(9,863)
Accrued expenses	(1,311)	215
Other payables	(1,200)	2,300
Tenant savings	5,407	(4,578)
Net cash provided by operating activities	<u>589,304</u>	<u>349,076</u>
Cash Flow from Investing Activities		
Purchase of property and equipment	<u>(144,460)</u>	<u>(245,070)</u>
Net cash used in investing activities	<u>(144,460)</u>	<u>(245,070)</u>
Cash Flow from Financing Activities		
Net proceeds from note payable	<u>174,862</u>	<u>(512,500)</u>
Net cash provided by (used in) financing activities	<u>174,862</u>	<u>(512,500)</u>

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

	<u>2020</u>	<u>2019</u>
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	619,706	(408,494)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>960,277</u>	<u>1,368,771</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 1,579,983</u>	<u>\$ 960,277</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year ended June 30, 2020 was as follows:

Interest	<u>\$ 36</u>
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All interest incurred was expensed.

Noncash Investing and Financing Activities:

In-kind contributions:

Clothing	\$ 138,560
Furniture	13,975
Vehicles	<u>11,263</u>
	<u>\$ 163,798</u>

Property and equipment acquired through noncash contributions	<u>\$ 11,263</u>
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Improvements acquired through issuance of accounts payable	<u>\$ 95,098</u>
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THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Drake House, Inc. (the Organization) is presented to assist in understanding the financial statements of the Organization. The 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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 financial statements and accompanying notes. Actual results could differ from those estimates.

4. **Cash and Cash Equivalents**

The Organization considers 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, 2020.

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 statement of activities.

Depreciation expense for the year ended June 30, 2020 was \$164,510.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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. The value of these donated services is not included in the accompanying 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 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 cash, which belong to the tenants in the housing units. In accordance with *FASB ASC 958*, this cash has been reported as a liability for amounts held for others.

10. **Contributions and Other Revenues**

Unconditional contributions and special grants, those that do not include a measurable performance-related or other barrier or are those in which the Organization has limited discretion over how the contribution should be spent, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Contributions, that include a measurable barrier or those for which the Organization has limited discretion over how the contribution should be spent and a right of return or release from future obligations exists, are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been 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.

Rental income from The Drake Village program participants is recorded as earned under existing rental agreements designed to improve participant rental history and credit. Rental terms are annual with existing options for a twelve-month renewal.

11. **Advertising**

Advertising costs are expensed as incurred. Advertising expense, for the year ended June 30, 2020, was \$18,663.

THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

12. Prior Year Information

The 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, 2019, from which the summarized totals were derived.

13. Income Taxes

The Organization, a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code, is exempt from federal, state, and local income taxes; and accordingly, no provision for income taxes is included in the accompanying financial statements for the Organization.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has 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 has concluded that as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is 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 15, 2020, which is the date the financial statements were available to be issued.

15. New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive revenue recognition model for all contracts with customers. Under this new guidance, an entity will recognize revenue to depict the transfer of promised goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. ASU No. 2014-09 may be adopted either retrospectively or on a modified retrospective basis. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Topic 606: Deferral of Effective Date*, which delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization has adopted ASU No. 2014-09 on a modified retrospective basis as of July 1, 2019, and the adoption of the ASU did not have a material effect on the Organization's financial condition, results of operations, or cash flows.

THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

15. New Accounting Pronouncements, continued

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires entities to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Additionally, ASU No. 2018-08 modifies the simultaneous release option by allowing a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. ASU No. 2018-08 should be applied on a modified prospective basis and is effective for fiscal years beginning after December 31, 2018 for resource recipients. The Organization has adopted ASU No. 2018-08 as of July 1, 2019. The impact of adopting this ASU was immaterial to the financial statements. Prior year information has not been restated and continues to be reported under the accounting standards in effect for that period.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires presentation of total change in cash, cash equivalents, restricted cash, and restricted cash equivalents for the period in the statement of cash flows. ASU No. 2016-18 is effective for all other entities, excluding public business entities, for fiscal years beginning after December 31, 2018 and should be applied using a retrospective transition method to each period presented. The Organization has adopted ASU No. 2016-18 as of July 1, 2019 and has applied the changes retrospectively to all periods presented. No impact was noted on the financial statements for the years ended June 30, 2020 and 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets (right-of-use assets) and lease liabilities (for lease payments) by lessees for those leases classified as operating leases under previous U.S. GAAP. Amendments in this ASU delay the effective date for non-public and not-for-profit entities to fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. The Organization has not elected to early adopt this guidance and is currently evaluating the impact of this pronouncement.

NOTE B – CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

Cash and cash equivalents	\$ 1,535,179
Cash and cash equivalents comprised of tenant savings	13,575
Restricted cash	<u>31,229</u>
	<u>\$ 1,579,983</u>

THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE C – FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

The financial instruments of the Organization that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization maintains its cash deposits with highly rated financial institutions. At times, such deposits may be in excess of federally insured limits. At June 30, 2020, the Organization maintained \$874,075 in uninsured cash deposits. The Organization has not experienced any losses in such accounts and believe it is not exposed to any significant risk of loss.

NOTE D – CONTRIBUTIONS AND 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. Contributions receivable remaining outstanding from this capital campaign was \$12,666 at June 30, 2020.

The Organization had total contributions of \$921,146 during the year ended June 30, 2020, and contributions receivable was \$39,866 at June 30, 2020.

Delinquent receivables are written off based on individual and specific circumstances as determined by management. The Organization considers receivables to be fully collectible. Accordingly, no allowance for uncollectible contributions has been provided. Bad debt expense was \$22,541 for the year ended June 30, 2020.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment, as of June 30, 2020, is summarized as follows:

Buildings	\$ 2,957,564
Land	462,346
Improvements	759,447
Leasehold improvements	37,643
Furniture and fixtures	25,390
Equipment	74,092
Vehicles	47,619
Software	18,552
Website design	4,827
	<hr/>
	4,387,480
Less accumulated depreciation	<hr/> (969,786)
	<hr/>
	\$ 3,417,694

THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE F – FUNDS HELD FOR OTHERS

The Organization has agreed to take receipt of funds to encourage its tenants to save while they reside in the program's 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, 2020, the balance in this account was \$13,575.

NOTE G – PAYCHECK PROTECTION PROGRAM LOAN

In response to the coronavirus (COVID-19) pandemic, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020 and the Paycheck Protection Program (PPP) and Health Care Enactment Act (the Enhancement Act) on April 24, 2020. Under the PPP, as part of the CARES Act and Enhancement Act, the U.S. government has authorized forgivable loans to small businesses and nonprofit entities to pay their employees during the COVID-19 pandemic. On April 27, 2020, the Organization received a PPP loan for \$174,862. The loan matures on April 27, 2022 and has monthly principal and interest payments of \$2,924, beginning August 12, 2021, with remaining principal and accrued interest due on maturity. Interest is calculated on the unpaid principal balance using an interest rate of 1% per annum. The Organization will be formally applying for loan forgiveness, once all terms have been satisfied, which is expected to occur in the next fiscal year.

NOTE H – 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 was \$1,900 on June 30, 2020 and will increase by 3% annually until its expiration in May 2025. The monthly rental obligation for the Alpharetta location was \$3,800 at June 30, 2020 and will increase by 3% annually until its expiration in July 2024. The monthly rental obligation for the Sandy Springs location is \$3,157 at June 30, 2020 and will increase by 3% annually until its expiration in September 2021. Rent expense associated with these leases was \$112,176 for the year ended June 30, 2020.

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:

THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE H – COMMITMENTS, continued

Year Ended	
<u>June 30,</u>	
2021	\$ 118,518
2022	82,670
2023	73,959
2024	76,173
2025	<u>27,795</u>
	<u>\$ 379,115</u>

NOTE I – 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, 2020, the Organization made discretionary contributions of \$31,904.

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2020:

Subject to expenditure for specified purpose:	
Housing assistance	\$ 19,271
Life skills workshops	2,558
Scholarships and certifications	<u>9,400</u>
Total net assets with donor restrictions	<u>\$ 31,229</u>

NOTE K – 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, 2020 are as follows:

THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE K – NET ASSETS RELEASED FROM RESTRICTIONS, continued

Purpose restrictions accomplished:	
After school program	\$ 88,000
Capital improvements	43,194
Career coach	12,200
Emergency assistance and housing	121,324
Homelessness rapid rehousing	91,000
Housing assistance	12,076
Life skills workshops	723
Technology	3,342
Teen program	1,000
Transitional and assessment housing	18,667
	<u> </u>
	<u>\$ 391,526</u>

NOTE L – PRIOR YEAR CONSOLIDATED FINANCIAL STATEMENTS

The prior year financial statements of the Organization and The Drake Village, LLC (the Affiliate) were consolidated since the Organization was the sole member of the Affiliate and both entities were controlled by the same management. As of June 30, 2020, the Affiliate was dissolved, and all of its assets were transferred into the Organization.

NOTE M – 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 statement of financial position for general expenditure are as follows:

THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE M – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS, continued

Cash, cash equivalents, and restricted cash	\$ 1,579,983
Contributions receivable	39,866
Other receivables	28,734
The Drake Closets inventory	55,984
Other current assets	<u>36,665</u>
Total financial assets	1,741,232
Less amounts unavailable for general expenditures within one year:	
Donor imposed restrictions	<u>(31,229)</u>
	<u><u>\$ 1,710,003</u></u>

NOTE N – SUBSEQUENT EVENTS

As a result of the coronavirus (COVID-19) pandemic, economic uncertainties have arisen which could potentially have a negative impact on the future performance of the Organization, though the potential impact is currently unknown.

The Organization determined that there were no other subsequent event matters that require disclosure in the financial statements.