

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

**Year Ended June 30, 2023**  
**(With Comparative Totals for 2022)**

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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

**Opinion**

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Drake House, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management 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, and for 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.

In preparing financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Drake House, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Drake House, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Drake House, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited The Drake House, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited 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  
September 26, 2023

THE DRAKE HOUSE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2023

(With Comparative Totals for 2022)

Assets		
	2023	2022
<b>Current Assets</b>		
Cash, cash equivalents, and restricted cash	\$ 1,400,041	\$ 1,756,460
Contributions receivable	8,367	8,367
Grants receivable	-	4,558
Other receivables	294,457	9,793
The Drake Closets inventory	95,970	76,966
Other current assets	25,586	25,346
Total current assets	1,824,421	1,881,490
<b>Property and Equipment</b>		
Property and equipment, net	4,375,463	3,733,276
<b>Other Assets</b>		
Right-of-use assets - operating leases	422,267	-
Deposits	14,939	14,939
	437,206	14,939
<hr/>		
Assets	\$ 6,637,090	\$ 5,629,705

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



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**Liabilities and Net Assets**

	<u>2023</u>	<u>2022</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 74,768	\$ 20,515
Accrued expenses	4,483	3,295
Other payables	9,531	15,128
Tenant savings	35,840	23,377
Current portion of lease liabilities - operating leases	<u>166,524</u>	<u>-</u>
 Total current liabilities	 <u>291,146</u>	 <u>62,315</u>
<b>Long-Term Liabilities</b>		
Lease liabilities - operating leases, less current portion	<u>280,994</u>	<u>-</u>
<b>Net Assets</b>		
Without donor restrictions	5,812,900	5,352,730
With donor restrictions	<u>252,050</u>	<u>214,660</u>
 Total net assets	 <u>6,064,950</u>	 <u>5,567,390</u>

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<b>Liabilities and Net Assets</b>	<b>\$ 6,637,090</b>	<b>\$ 5,629,705</b>
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THE DRAKE HOUSE, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023  
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
<b>Revenues, Grants, and Other Support</b>				
Contributions	\$ 755,254	\$ 306,300	\$ 1,061,554	\$ 1,085,841
Grant revenue	40,073	358,220	398,293	175,944
Special events	622,978	-	622,978	512,057
The Drake Closets, net revenue	386,832	-	386,832	271,946
In-kind donations	130,160	-	130,160	325,118
Rental revenue, net	115,948	-	115,948	134,432
Investment income, net	44,210	-	44,210	2,135
Employee retention credit	259,816	-	259,816	-
Other revenue	-	-	-	17,227
	<u>2,355,271</u>	<u>664,520</u>	<u>3,019,791</u>	<u>2,524,700</u>
Net assets released from restrictions:				
Satisfaction of donor restrictions	96,373	(96,373)	-	-
Satisfaction of program restrictions	<u>530,757</u>	<u>(530,757)</u>	<u>-</u>	<u>-</u>
	<u>627,130</u>	<u>(627,130)</u>	<u>-</u>	<u>-</u>
Total revenues, grants, and other support	<u>2,982,401</u>	<u>37,390</u>	<u>3,019,791</u>	<u>2,524,700</u>
<b>Expenses and Losses</b>				
Program services	2,087,133	-	2,087,133	1,791,321
Management and general	205,605	-	205,605	167,236
Fundraising	<u>229,493</u>	<u>-</u>	<u>229,493</u>	<u>147,766</u>
Total expenses and losses	<u>2,522,231</u>	<u>-</u>	<u>2,522,231</u>	<u>2,106,323</u>
<b>Change in Net Assets</b>	<u>460,170</u>	<u>37,390</u>	<u>497,560</u>	<u>418,377</u>
<b>Net Assets, Beginning of Year</b>	<u>5,352,730</u>	<u>214,660</u>	<u>5,567,390</u>	<u>5,149,013</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,812,900</u>	<u>\$ 252,050</u>	<u>\$ 6,064,950</u>	<u>\$ 5,567,390</u>

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

**THE DRAKE HOUSE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2023  
(With Comparative Totals for 2022)**

	<b>2023</b>				
	<b>General</b>		<b>Total</b>		
	<b>Program</b>	<b>The Drake</b>	<b>Program</b>	<b>Management</b>	
	<b>Services</b>	<b>Closets</b>	<b>Services</b>	<b>&amp; General</b>	<b>Fundraising</b>
Salaries and related expenses	\$ 763,608	\$ 99,008	\$ 862,616	\$ 100,526	\$ 81,267
Payroll taxes and benefits	174,456	5,520	179,976	18,316	18,831
Contract labor	12,000	480	12,480	-	-
Supplies and office expenses	225,511	9,994	235,505	22,273	30,625
Advertising	2,863	20	2,883	283	389
Repairs and maintenance	128,976	3,990	132,966	12,739	17,515
Equipment rentals	4,293	1,430	5,723	424	583
Furnishings and fixtures	-	60	60	-	-
Utilities	65,886	16,196	82,082	6,507	8,948
Lease expense - operating leases	31,544	169,701	201,245	3,115	4,284
Occupancy	-	-	-	-	-
Property and other taxes	29	214	243	3	4
Postage and delivery	529	-	529	52	72
Insurance	32,200	-	32,200	3,180	4,373
Travel	2,777	89	2,866	274	377
Printing	3,330	557	3,887	329	452
Professional fees	71,461	-	71,461	7,058	9,704
Special event expenses	-	-	-	-	25,265
Workshops	59,875	-	59,875	11,032	-
Membership and dues	1,741	-	1,741	172	236
Contributions	-	-	-	-	-
Depreciation	170,812	-	170,812	16,870	23,197
Miscellaneous	24,823	-	24,823	2,452	3,371
Bad debt	3,160	-	3,160	-	-
Loss on disposal of assets	-	-	-	-	-
	<u>\$ 1,779,874</u>	<u>\$ 307,259</u>	<u>\$ 2,087,133</u>	<u>\$ 205,605</u>	<u>\$ 229,493</u>

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



<b>Total</b>	
<b>2023</b>	<b>2022</b>
\$ 1,044,409	\$ 944,920
217,123	170,058
12,480	12,000
288,403	173,826
3,555	11,920
163,220	87,725
6,730	6,118
60	307
97,537	91,662
208,644	-
-	141,781
250	236
653	1,662
39,753	35,356
3,517	1,423
4,668	2,909
88,223	19,770
25,265	12,760
70,907	93,976
2,149	385
-	4,331
210,879	196,915
30,646	32,445
3,160	42,666
-	21,172
<u>\$ 2,522,231</u>	<u>\$ 2,106,323</u>

**THE DRAKE HOUSE, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2023**  
**(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
<b>Cash Flow from Operating Activities</b>		
Change in net assets	\$ 497,560	\$ 418,377
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	210,879	196,915
Loss on disposal of assets	-	21,172
Noncash contributions of property and equipment	(130,160)	(325,118)
Noncash portion of lease expenses - operating leases	178,600	-
<b>(Increase) Decrease in:</b>		
Contributions receivable	-	12,666
Grants receivable	4,558	127,834
Other receivables	(284,664)	49,940
The Drake Closets inventory	(19,004)	(27,549)
Other current assets	(240)	13,583
Deposits	-	(5,759)
<b>Increase (Decrease) in:</b>		
Accounts payable	54,253	(18,843)
Accrued expenses	1,188	1,744
Other payables	(5,597)	959
Tenant savings	12,463	9,597
Repayments of lease liabilities	(153,349)	-
Net cash provided by operating activities	<u>366,487</u>	<u>475,518</u>
<b>Cash Flow from Investing Activities</b>		
Purchase of property and equipment	<u>(722,906)</u>	<u>(232,212)</u>
Net cash used in investing activities	<u>(722,906)</u>	<u>(232,212)</u>
<b>Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash</b>	(356,419)	243,306
<b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Year</b>	<u>1,756,460</u>	<u>1,513,154</u>
<b>Cash, Cash Equivalents, and Restricted Cash at End of Year</b>	<u><u>\$ 1,400,041</u></u>	<u><u>\$ 1,756,460</u></u>

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

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**Supplemental Disclosures of Cash Flow Information**

Cash paid for amounts included in measurement of lease liabilities:

Operating cash flows from operating leases	\$ 183,392
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**Noncash Investing and Financing Activities:**

Lease assets obtained in exchange for lease obligations:

Operating leases	\$ 600,867
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In-kind contributions:

Clothing and accessories	\$ 344,680
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Improvements	130,160
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\$ 474,840
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Property and equipment acquired through noncash contributions

\$ 130,160
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Improvements acquired through issuance of accounts payable

\$ 5,735
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THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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**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, 2023

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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. Restricted cash is comprised of cash that belongs to others and cash that has donor stipulations that have not yet been satisfied.

5. Inventory

Inventory for The Drake Closets is stated at net realizable value at June 30, 2023.

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, 2023, was \$210,879.

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, 2023

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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. **Liabilities for Amounts Held for Others**

The Organization holds and manages cash, which belongs 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.

The Organization acts as a fiscal agent for the North Fulton Poverty Task Force (NFPTF) and holds and manages cash, which belongs to the NFPTF. 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.

THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

**11. Advertising**

Advertising costs are expensed as incurred. Advertising expense, for the year ended June 30, 2023, was \$3,555.

**12. Leases**

Under FASB ASC Topic 842, *Leases*, a contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Operating leases, in which the Organization is the lessee, are included in right-of-use (ROU) assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The interest rate implicit in lease contracts is typically not readily determinable; therefore, the Organization uses its incremental borrowing rate, based on the information available at lease commencement, in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

**13. 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 financial statements for the year ended June 30, 2022, from which the summarized totals were derived.

**14. 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, 2023, 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.

**15. Subsequent Events**

Subsequent events have been evaluated through September 26, 2023, which is the date the financial statements were available to be issued.



THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**16. New Accounting Pronouncement**

Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The guidance requires lessees to recognize a lease liability and a ROU asset on a discounted basis, for substantially all leases, as well as to provide additional disclosures regarding lease arrangements. The Organization has elected the package of practical expedients permitted in ASC Topic 842, which permits entities to not reassess lease classification, lease identification, or initial direct costs for existing or expired leases prior to effective date. As a result of adoption of the new lease accounting guidance, prior comparative periods were not adjusted, and the Organization capitalized ROU assets and lease liabilities of \$603,554 each on the statement of financial position on July 1, 2022. Upon adoption, there was no material effect to the net assets, statement of activities, or cash flows.

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	\$ 1,110,120
Cash and cash equivalents comprised of tenant savings	35,840
Cash and cash equivalents comprised of NFPTF funds	2,031
Restricted cash	<u>252,050</u>
	<u>\$ 1,400,041</u>

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, 2023, the Organization maintained \$1,002,593 in uninsured cash deposits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss.

NOTE D – CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE

The Organization had total contributions of \$1,061,554 during the year ended June 30, 2023, and contributions receivable was \$8,367 at June 30, 2023. 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 \$3,160 for the year ended June 30, 2023.

**THE DRAKE HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

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**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment, as of June 30, 2023, is summarized as follows:

Buildings	\$ 3,350,075
Land	623,246
Improvements	1,569,210
Leasehold improvements	31,690
Furniture and fixtures	29,607
Equipment	142,508
Vehicles	54,769
Software	30,312
Website design	10,827
Assets in progress	<u>28,181</u>
	5,870,425
Less accumulated depreciation	<u>(1,494,962)</u>
	<u><u>\$ 4,375,463</u></u>

**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 non-interest-bearing checking account. At June 30, 2023, the balance in this account was \$35,840.

The Organization has agreed to act as a fiscal agent for the NFPTF and does not charge any fees associated with this service. It holds the money for NFPTF in a checking account. At June 30, 2023, the balance in this account was \$2,031.

**NOTE G – EMPLOYEE RETENTION CREDIT**

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, to provide certain relief as a result of the COVID-19 pandemic. The CARES Act provides tax relief, along with other stimulus measures, including a provision for an employee retention credit (ERC), which allows for employers to claim a refundable tax credit. The ERC was designed to encourage businesses to keep employees on the payroll during the COVID-19 pandemic. As of June 30, 2023, the Organization determined it has reasonable assurance for the receipt of the ERC and associated interest totaling \$288,879, which is included in other receivables on the statement of position. The ERC and associated interest was subsequently received in July 2023.

THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**NOTE H – LEASES**

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 \$4,283 on June 30, 2023 and will increase by 2.5% annually until its expiration in February 2027. The monthly rental obligation for the Alpharetta location was \$4,277 at June 30, 2023 and will increase by 3% annually until its expiration in July 2024. The monthly rental obligation for the Sandy Springs location is \$3,450 at June 30, 2023 and will expire in September 2024.

The Organization has entered into an operating lease for its administrative office. The monthly rental obligation was \$3,605 on June 30, 2023 and will increase by 3% annually until its expiration in February 2027.

At June 30, 2023, the weighted average remaining lease term was 2.54 years, and the weighted average discount rate was 5%.

The following summarizes the line items in the statement of financial position which include amounts for the operating leases as of June 30, 2023:

Right-of-use assets	<u>\$ 422,267</u>
Current portion of lease liabilities	\$ 166,524
Lease liabilities, less current portion	<u>280,994</u>
Total lease liabilities	<u>\$ 447,518</u>

The maturities of the lease liabilities, as of June 30, 2023, are as follows:

<b>Year Ended</b>	
<b><u>June 30,</u></b>	
2024	\$ 188,900
2025	135,131
2026	101,835
2027	<u>69,377</u>
Total minimum lease payments	495,243
Less: imputed interest	<u>(47,725)</u>
Total lease liabilities	<u>\$ 447,518</u>

Lease expense, associated with these leases, was \$208,644 for the year ended June 30, 2023.



THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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**NOTE I – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2023:

Subject to expenditure for specified purpose:	
Administration	\$ 2,600
Capital improvements	56,362
Client coach	42,467
Housing assistance	34,340
Life skills workshops	17,129
Scholarships and certifications	29,906
Technology	2,257
Well being	15,645
Youth program	51,344
	<hr/>
Total net assets with donor restrictions	<u><u>\$ 252,050</u></u>

**NOTE J – 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, 2023 are as follows:

Purpose restrictions accomplished:	
Administration	\$ 900
Capital improvements	63,638
Case management	23,917
Client coach	56,813
Emergency assistance and housing	78,443
Facilities maintenance	33,211
Family stability	25,600
Housing assistance	124,184
Learning loss	25,000
Life skills workshops	17,835
Scholarships and certifications	8,784
Technology	23,951
Well being	6,225
Youth program	138,629
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	<u><u>\$ 627,130</u></u>

**THE DRAKE HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

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**NOTE K – 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, 2023, the Organization made discretionary contributions of \$39,918.

**NOTE L – 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:

Cash, cash equivalents, and restricted cash	\$ 1,400,041
Contributions receivable	8,367
Other receivables	294,457
The Drake Closets inventory	95,970
Other current assets	<u>25,586</u>
Total financial assets	1,824,421
Less amounts unavailable for general expenditures within one year:	
Donor imposed restrictions	<u>(252,050)</u>
	<u><u>\$ 1,572,371</u></u>