

GOING FURTHER

THE DRAKE HOUSE, INC.

FINANCIAL REPORT

JUNE 30, 2024



CPAs & ADVISORS

THE DRAKE HOUSE, INC.

FINANCIAL REPORT

JUNE 30, 2024

THE DRAKE HOUSE, INC.

FINANCIAL REPORT JUNE 30, 2024

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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, 2024, 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, 2024, 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.

Prior Period Financial Statements

The financial statements of The Drake House, Inc. as of June 30, 2023 were audited by other auditors whose report dated September 26, 2023 expressed an unmodified opinion on those statements.

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 the 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 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
May 13, 2025

THE DRAKE HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,375,664	\$ 1,252,669
Restricted cash	36,654	147,372
Unconditional promises to give	9,867	8,367
ERC receivable	-	288,879
Other receivables	4,723	5,578
Inventory	32,813	95,970
Other current assets	19,635	25,586
Total current assets	1,479,356	1,824,421
PROPERTY AND EQUIPMENT		
Property and equipment, net	4,370,898	4,375,463
OTHER ASSETS		
Beneficial interest in assets held by community foundation	25,530	-
Right-of-use assets - operating leases	237,019	422,267
Deposits	14,939	14,939
Total other assets	277,488	437,206
Total assets	\$ 6,127,742	\$ 6,637,090
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,093	\$ 74,768
Accrued expenses	2,577	4,483
Tenant savings	35,975	9,531
Other payables	26,861	35,840
Current portion of lease liabilities - operating lease	95,917	166,524
Total current liabilities	170,423	291,146
NONCURRENT LIABILITIES		
Lease liabilities - operating leases, less current portion	159,913	280,994
Total liabilities	330,336	572,140
NET ASSETS		
Without donor restrictions	5,532,097	5,812,900
With donor restrictions		
Restricted for purpose	265,309	252,050
Total net assets	5,797,406	6,064,950
Total liabilities and net assets	\$ 6,127,742	\$ 6,637,090

See Notes to Financial Statements.

THE DRAKE HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Support			
Contributions and grants	\$ 1,126,993	\$ 357,151	\$ 1,484,144
In-kind contributions	68,336	-	68,336
Special events revenue	189,303	-	189,303
Less: costs of direct benefits to donors	(41,561)	-	(41,561)
Total special events revenue, net	147,742	-	147,742
Net assets released from restrictions	343,892	(343,892)	-
Total support	1,686,963	13,259	1,700,222
Rental revenue	132,639	-	132,639
Retail sales revenue, net	379,952	-	379,952
Investment income	37,786	-	37,786
Loss on disposal of fixed assets	(610)	-	(610)
Other income	51,442	-	51,442
Total support and revenues	2,288,172	13,259	2,301,431
EXPENSES			
Program services	2,144,874	-	2,144,874
Supporting services			
General and administrative	267,762	-	267,762
Fundraising	156,339	-	156,339
Total supporting services	424,101	-	424,101
Total expenses	2,568,975	-	2,568,975
Change in net assets	(280,803)	13,259	(267,544)
NET ASSETS, BEGINNING OF YEAR	5,812,900	252,050	6,064,950
NET ASSETS, END OF YEAR	\$ 5,532,097	\$ 265,309	\$ 5,797,406

See Notes to Financial Statements.

THE DRAKE HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GRANTS, AND OTHER SUPPORT			
Contributions	\$ 755,254	\$ 306,300	\$ 1,061,554
Grant revenue	40,073	358,220	398,293
In-kind contributions	130,160	-	130,160
Special events revenue	622,978	-	622,978
Less: costs of direct benefits to donors	(25,265)	-	(25,265)
Total special events revenue, net	597,713	-	597,713
Net assets released from restrictions	627,130	(627,130)	-
Total support	2,150,330	37,390	2,187,720
Retail revenue, net	386,832	-	386,832
Rental income	115,948	-	115,948
Employee retention credit	259,816	-	259,816
Investment income	44,210	-	44,210
Total revenues, grants, and other support	2,957,136	37,390	2,994,526
EXPENSES			
Program services	2,087,133	-	2,087,133
Supporting services			
General and administrative	205,605	-	205,605
Fundraising	204,228	-	204,228
Total supporting services	409,833	-	409,833
Total expenses	2,496,966	-	2,496,966
Change in net assets	460,170	37,390	497,560
NET ASSETS, BEGINNING OF YEAR	5,352,730	214,660	5,567,390
NET ASSETS, END OF YEAR	\$ 5,812,900	\$ 252,050	\$ 6,064,950

See Notes to Financial Statements.

THE DRAKE HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services			Supporting Services			Total Expenses
	General	The Drake Closet	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries and related expenses	\$ 871,155	\$ 156,257	\$ 1,027,412	\$ 122,194	\$ 100,982	\$ 223,176	\$ 1,250,588
Payroll taxes and benefits	127,234	-	127,234	19,663	14,888	34,551	161,785
Supplies and office expenses	14,714	5,967	20,681	-	-	-	20,681
Advertising	-	59	59	2,474	2,475	4,949	5,008
Repairs and maintenance	86,678	53,751	140,429	488	-	488	140,917
Equipment rentals	-	-	-	4,898	-	4,898	4,898
Utilities	104,982	18,974	123,956	10,039	600	10,639	134,595
Lease expense - operating leases	31,486	147,538	179,024	3,015	5,024	8,039	187,063
Occupancy	57,308	1,762	59,070	13,529	5,798	19,327	78,397
Property and other taxes	3,186	253	3,439	51	-	51	3,490
Postage and delivery	-	-	-	391	-	391	391
Insurance	37,635	-	37,635	13,788	-	13,788	51,423
Travel	900	134	1,034	4,269	850	5,119	6,153
Printing	1,200	347	1,547	998	-	998	2,545
Professional fees	47,777	-	47,777	21,314	561	21,875	69,652
Workshops	26,820	-	26,820	24,912	-	24,912	51,732
Membership and dues	-	-	-	2,090	-	2,090	2,090
Client market	167,308	-	167,308	-	-	-	167,308
Depreciation	174,429	-	174,429	16,870	23,625	40,495	214,924
Miscellaneous	25	6,995	7,020	6,779	1,536	8,315	15,335
Total expenses	\$ 1,752,837	\$ 392,037	\$ 2,144,874	\$ 267,762	\$ 156,339	\$ 424,101	\$ 2,568,975

See Notes to Financial Statements.

THE DRAKE HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services			Supporting Services			Total Expenses
	General	The Drake Closets	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries and related expenses	\$ 763,608	\$ 99,008	\$ 862,616	\$ 100,526	\$ 81,267	\$ 181,793	\$ 1,044,409
Payroll taxes and benefits	174,456	5,520	179,976	18,316	18,831	37,147	217,123
Contract labor	12,000	480	12,480	-	-	-	12,480
Supplies and office expenses	225,511	9,994	235,505	22,273	30,625	52,898	288,403
Advertising	2,863	20	2,883	283	389	672	3,555
Repairs and maintenance	128,976	3,990	132,966	12,739	17,515	30,254	163,220
Equipment rentals	4,293	1,430	5,723	424	583	1,007	6,730
Furnishings and fixtures	-	60	60	-	-	-	60
Utilities	65,886	16,196	82,082	6,507	8,948	15,455	97,537
Lease expense - operating leases	31,544	169,701	201,245	3,115	4,284	7,399	208,644
Property and other taxes	29	214	243	3	4	7	250
Postage and delivery	529	-	529	52	72	124	653
Insurance	32,200	-	32,200	3,180	4,373	7,553	39,753
Travel	2,777	89	2,866	274	377	651	3,517
Printing	3,330	557	3,887	329	452	781	4,668
Professional fees	71,461	-	71,461	7,058	9,704	16,762	88,223
Workshops	59,875	-	59,875	11,032	-	11,032	70,907
Membership and dues	1,741	-	1,741	172	236	408	2,149
Depreciation	170,812	-	170,812	16,870	23,197	40,067	210,879
Miscellaneous	24,823	-	24,823	2,452	3,371	5,823	30,646
Bad debt	3,160	-	3,160	-	-	-	3,160
Total expenses	\$ 1,779,874	\$ 307,259	\$ 2,087,133	\$ 205,605	\$ 204,228	\$ 409,833	\$ 2,496,966

See Notes to Financial Statements.

THE DRAKE HOUSE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (267,544)	\$ 497,560
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	214,924	210,879
Loss on disposal of fixed assets	610	-
Change in beneficial interest in assets held by community foundation	(25,530)	-
Noncash contributions of property and equipment	-	(130,160)
Noncash portion of lease expenses - operating leases	-	178,600
Changes in assets and liabilities		
(Increase) in unconditional promises to give	(1,500)	-
Decrease in grants receivables	-	4,558
(Increase) in ERC receivable	288,879	(288,879)
Decrease in other receivables	855	4,215
Decrease (increase) in inventory	63,157	(19,004)
Decrease in right-of-use assets - operating leases	185,248	-
Decrease (increase) in other current assets	5,951	(240)
(Decrease) increase in accounts payable	(65,675)	54,253
(Decrease) increase in accrued expenses	(1,906)	1,188
(Decrease) in other payables	(8,979)	(5,597)
Increase in tenant savings	26,444	12,463
(Decrease) in lease liabilities	(191,688)	(153,349)
Net cash provided by operating activities	<u>223,246</u>	<u>366,487</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(210,969)</u>	<u>(722,906)</u>
Net cash (used in) investing activities	<u>(210,969)</u>	<u>(722,906)</u>
Net increase (decrease) in cash and cash equivalents	12,277	(356,419)
Cash and cash equivalents		
Beginning of year	<u>1,400,041</u>	<u>1,756,460</u>
End of year	<u>\$ 1,412,318</u>	<u>\$ 1,400,041</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING and FINANCING ACTIVITIES		
Acquisition of property and equipment with accounts payable	<u>\$ -</u>	<u>\$ 14,394</u>

See Notes to Financial Statements.

THE DRAKE HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Drake House, Inc. (the "Organization") is a not-for-profit organization incorporated in Georgia on March 30, 2004. Its mission is to empower women and their children experiencing homelessness to achieve economic independence and long-term stability. The Organization provides families with the tools and resources to overcome the trauma of homelessness, rebuild their lives, and attain economic mobility. An integral part of the community, The Drake House, Inc. fosters financial security and housing stability through comprehensive support services and career development programs. The Drake Closets support The Drake House, Inc. programming by offering professional clothing to residents for interviews and work. These retail outlets also sell quality used clothing and jewelry to raise funds that directly support the Organization's mission.

Significant Accounting Policies

The significant accounting policies adopted by the Organization are set forth below:

Basis of Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions, which are used to account for resources available to carry out the purposes of the Organization in accordance with the limitations of its bylaws. Board-designated net assets are without donor restrictions but are designated by the Board to be spent for specific purposes. At December 31, 2024 and 2023, the Organization did not have any board-designated net assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Donor-imposed restrictions are released when a restriction expires, this is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their estimated fair value less an appropriate allowance for uncollectible amounts. Conditional promises to give are recognized when the existing barriers are met. Unconditional promises to give over more than one year are recorded at their discounted present value. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The allowance for doubtful promises to give is based on specifically identified amounts that the Organization believes to be uncollectible, plus certain percentages of aged contribution receivables, which are determined based on historical experience and management's assessment of the general financial conditions affecting the Organization's donor base. If actual collections experience changes, revisions to the allowance may be required.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Contributions (Continued)

Contributed assets such as equipment, other assets, and marketable equity securities acquired by gift are recorded at fair market value when the Organization obtains possession or an unconditional promise to give. In-kind contributions, such as rent, utilities, repairs and maintenance, and supplies, are reflected in the accompanying financial statements. A substantial number of volunteers have donated their time to the program services and fundraising campaigns of the Organization. However, no amounts have been reflected in the financial statements for volunteer services because the criteria for recognition of such volunteer effort under the FASB codification have not been satisfied.

If donated services received either create or enhance non-financial assets or require specialized skills which would need to be purchased if not donated, the value of those donated services would be recorded in accordance with the FASB codification.

The Organization recognizes contributions and grant revenue in the accompanying statements of activities in accordance with ASC Topic 958, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and establishes standards for characterizing grants and similar contracts with resource providers as contributions (nonreciprocal) subject to ASC Topic 958, or as exchange transactions (reciprocal) subject to ASC Topic 606.

Revenue Recognition

Revenue is recognized in the period when earned. Deferred revenue represents cash received that is to be earned in future periods.

In accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers*, the Organization recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. The Organization recognizes certain special events revenue in accordance with ASC Topic 606, which is recognized at the time the special events take place and the transaction is executed, as that is the point in time the Organization fulfills the performance obligation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash consists of cash held in checking and money market accounts. Cash balances are maintained with financial institutions which are insured by the Federal Deposit Insurance Corporation. Balances exceed insured amounts from time to time.

Restricted cash is held by the organization on behalf of the clients participating in the savings program and as fiscal sponsor for a community improvement network. The restricted cash obligations are outlined in Note 5 regarding funds held for others.

Inventory

Inventory for The Drake Closets is stated at lower of cost and net realizable value at June 30, 2024 and 2023.

Property and Equipment

Property and equipment are recorded at historical cost or at fair market value at the date of gift, if donated. Depreciation is recognized based on the straight-line method over estimated useful lives. Expenditures for property and equipment and for improvements, which extend the original estimated economic life of the asset, exceeding \$2,500, 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.

The estimated useful lives of the various classes of assets are as follows:

<u>Class of Asset</u>	<u>Estimated Useful Life (Years)</u>
Buildings	31.5
Furniture and fixtures	7
Equipment	3 – 10
Vehicles	5
Software	3 - 5
Website design	3
Improvements	7 - 10

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest in Assets Held by Community Foundation

Beneficial interest in assets held by Community Foundations represents “endowment fund” assets the Organization has transferred to the Community Foundation of Northeast Georgia (the “Community Foundation”) and has specified itself as the sole beneficiary. The Organization placed their “endowment fund” assets with the Community Foundation for multiple reasons, which include, but are not limited to, spreading the total risk for each endowment fund and making the risk equal for all funds invested in the master investment accounts, enhancing the investment performance, reducing management fees, efficiencies, and access to plan giving advice and services.

The Organization considers both transfers to be reciprocal (not a contribution), which is evidenced by the Organization naming itself as the beneficiary. As prescribed by FASB’s *Not-for-Profit* presentation and disclosure guidance, the Organization recognizes and maintains a beneficial interest in assets held by the Community Foundation in the accompanying statements of financial position. The Organization adjusts for changes in present value of expected cash flow in the accompany statements of activities.

The Organization has granted variance power of the endowment funds to the Community Foundation of Northeast Georgia. Under terms of the agreements, at any time, the Organization can request allowable distributions that align with its charitable purpose. However, the decision of the Community Foundation of Northeast Georgia’s Board of Directors as to any such disbursements shall be final, and the Organization’s recommendations shall not have a binding effect. When the Community Foundation of Northeast Georgia approves and pays a distribution, the Organization recognizes the cash received as investment income in the accompanying statements of activities.

As of June 30, 2024 and 2023, the beneficial interest in assets held by community foundations in accompanying statements of financial position comprise the following:

	<u>2024</u>	<u>2023</u>
Community Foundation of Northeast Georgia, Inc.	\$ <u>25,530</u>	\$ <u>-</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The Internal Revenue Service has determined that the Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in these financial statements.

Management of the Organization considers the likelihood of changes by taxing authorities in its exempt organization returns and discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed returns that require disclosure in the accompanying financial statements.

The Organization files Form 990 in the U.S. federal jurisdiction and the state of Georgia.

Functional Allocation of Expenses

The Organization reports certain categories of expenses that are attributed to more than one program or supporting function as required by the FASB Codification. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Rent, insurance, and utilities are allocated on a square footage basis. Salaries and related expenses as well as employee benefits and taxes are allocated on the basis of estimates of time and effort.

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 Improvement Network (NFIN) formerly North Fulton Poverty Task Force and holds and manages cash, which belongs to the NFIN. In accordance with FASB ASC 958, this cash has been reported as a liability for amounts held for others.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

On July 1, 2023, the Organization adopted ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables, loan commitments, leases, financial guarantees, and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities that management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Organization adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after July 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. There was no material impact to the estimate of credit losses as a result of adoption of ASC 326.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date as of June 30, 2024 and 2023, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,375,664	\$ 1,400,041
Unconditional promises to give	9,867	8,367
Other receivables	4,723	294,457
Inventory	32,813	95,970
Other current assets	19,635	25,586
Financial assets, at year-end	<u>1,442,702</u>	<u>1,824,421</u>
Less those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	<u>(265,309)</u>	<u>(252,050)</u>
	<u>\$ 1,177,393</u>	<u>\$ 1,572,371</u>

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Organization are expected to be met on a monthly basis from contribution and grants revenue generated. In general, the Organization maintains sufficient financial assets on hand to meet 30 days of normal operating expenses.

NOTE 3. UNCONDITIONAL PROMISES TO GIVE

At June 30, 2024 and 2023, unconditional promises to give consisted of the following:

	<u>2024</u>	<u>2023</u>
Unconditional promises to give with time restrictions	\$ <u>9,867</u>	\$ <u>8,367</u>

At June 30, 2024, the outstanding promise to give amount is due in:

2025	\$ <u>9,867</u>
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NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY AND EQUIPMENT

As of June 30, 2024 and 2023, a summary of the Organization's property and equipment accounts and the related accumulated depreciation is as follows:

	2024	2023
Buildings	\$ 3,350,075	\$ 3,350,075
Land	623,246	623,246
Improvements	1,698,453	1,569,210
Leasehold improvements	42,496	31,690
Furniture and fixtures	27,411	29,607
Equipment	222,775	142,508
Vehicles	54,769	54,769
Software	42,460	30,312
Website design	7,826	10,827
Construction in progress	-	28,181
	6,069,511	5,870,425
Accumulated depreciation	(1,698,613)	(1,494,962)
Net property and equipment	\$ 4,370,898	\$ 4,375,463

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. There were no such adjustments during the years ended June 30, 2024 and 2023.

NOTE 5. 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, 2024 and 2023, the balance in this account was \$35,975 and \$35,840, respectively.

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, 2024 and 2023, the balance in this account was \$885 and \$2,031, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. 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 ERC receivable on the statement of position. The ERC and associated interest was subsequently received in July 2023.

NOTE 7. LEASE OBLIGATIONS

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. At June 30, 2024 and 2023, the weighted-average discount rate was 5% for both years.

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, 2024 and 2023, the weighted average discount rate was 2.5% and 5%, respectively.

The following is a schedule by years of minimum future rentals on the operating leases and the amortization of the net present value (NPV) of the lease liability as of June 30, 2024:

	Minimum annual lease payments	Amortization of NPV of liabilities
2025	\$ 109,794	\$ 95,917
2026	101,835	93,839
2027	69,377	66,074
	<u>\$ 281,006</u>	<u>\$ 255,830</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LEASE OBLIGATIONS (Continued)

The carrying value of the related right-of-use assets as of June 30, 2024 are:

	<u>2024</u>	<u>2023</u>
Accumulated basis	\$ 600,867	\$ 600,867
Less – accumulated amortization	(363,848)	(178,600)
	<u>\$ 237,019</u>	<u>\$ 422,267</u>

Rent expense was \$187,063 and \$208,644 for the years ended June 30, 2024 and 2023, respectively.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Administration	\$ -	\$ 2,600
Capital improvements	74,864	56,362
Client coach	23,421	42,467
Client program	33,374	-
Housing assistance	18,600	34,340
Life skills workshops	13,681	17,129
Scholarships and certifications	-	29,906
Technology	-	2,257
Wellbeing	18,795	15,645
Youth program	82,574	51,344
	<u>\$ 265,309</u>	<u>\$ 252,050</u>
	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	<u>\$ 265,309</u>	<u>\$ 252,050</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Satisfaction of purpose restrictions:		
Administration	\$ 1,367	\$ 900
Capital improvements	98,847	63,638
Case management	-	23,917
Client coach	39,096	56,813
Client program	8,040	-
Emergency assistance and housing	-	78,443
Facilities maintenance	-	33,211
Family stability	-	25,600
Housing assistance	10,174	124,184
Learning loss	-	25,000
Life skills workshops	11,010	17,835
Scholarships and certifications	21,772	8,784
Technology	2,257	23,951
Wellbeing	18,850	6,225
Youth program	132,479	138,629
	<u>\$ 343,892</u>	<u>\$ 627,130</u>

NOTE 10. IN-KIND CONTRIBUTIONS

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within contribution revenue on the statements of activities included:

Type	2024	2023	Usage
Professional services	<u>\$ 68,336</u>	<u>\$ 130,160</u>	General support

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Nonfinancial assets were valued using estimated average prices of identical or similar products or services using pricing data of similar products or services under a "like-kind" methodology, considering the utility of the services and goods at the time of the contribution.

NOTE 11. 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 years ended June 30, 2024 and 2023, the Organization made discretionary contributions of \$36,327 and \$39,918, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring through May 13, 2025, the date on which the financial statements were available to be issued.