

# HOMESTRETCH, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018



*Certified Public Accountants*

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*Certified Public Accountants*

## **Independent Auditor's Report**

To the Board of Directors  
**Homestretch, Inc.**

We have audited the accompanying financial statements of **Homestretch, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 **Homestretch, Inc.** as of June 30, 2019 and 2018, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Kositzka, Wicks and Company*

Alexandria, Virginia  
November 18, 2019

# Homestretch, Inc.

## Statements of Financial Position June 30,

**2019****2018****Assets****Current assets**

|  |                  |                  |
|--|------------------|------------------|
| Cash and cash equivalents                    | \$ 1,299,756     | \$ 1,100,055     |
| Restricted cash - client savings accounts    | 101,052          | 77,494           |
| Restricted cash - credit counseling accounts | 26,577           | 48,376           |
| Accounts and grants receivable               | 71,536           | 70,307           |
| Investments                                  | 56,753           | 41,718           |
| Prepaid expenses                             | 30,794           | 17,667           |
|  | <u>1,586,468</u> | <u>1,355,617</u> |

**Property and equipment**

|   |                  |                  |
|---|------------------|------------------|
| Land  | 1,308,452        | 1,308,452        |
| Property and equipment, net of accumulated depreciation | 4,654,068        | 4,845,071        |
|   | <u>5,962,520</u> | <u>6,153,523</u> |

**Deposits**

|              |                     |                     |
|--------------|---------------------|---------------------|
|              | 7,450               | 6,595               |
| Total assets | <u>\$ 7,556,438</u> | <u>\$ 7,515,735</u> |

**Liabilities and net assets****Current liabilities**

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| Accounts payable and accrued expenses | \$ 89,805      | \$ 100,383     |
| Accrued vacation                      | 41,825         | 53,512         |
| Deposits                              | 40,452         | 33,244         |
| Deferred revenue                      | 5,210          | 1,011          |
| Client savings payable                | 101,052        | 77,494         |
| Credit counseling payable             | 26,577         | 34,868         |
| Notes payable, current portion        | 132,072        | 129,212        |
| Total current liabilities             | <u>436,993</u> | <u>429,724</u> |

**Long-term liabilities**

|                             |                  |                  |
|-----------------------------|------------------|------------------|
| Notes payable - property    | 1,321,076        | 1,428,073        |
| Notes payable - building    | 1,478,306        | 1,501,186        |
| Notes payable - grants      | 3,447,490        | 3,447,490        |
| Total long-term liabilities | <u>6,246,872</u> | <u>6,376,749</u> |
| Total liabilities           | <u>6,683,865</u> | <u>6,806,473</u> |

**Net assets**

|                                  |                     |                     |
|----------------------------------|---------------------|---------------------|
| Without donor restrictions       | 687,114             | 522,217             |
| With donor restrictions          | 185,459             | 187,045             |
| Total net assets                 | <u>872,573</u>      | <u>709,262</u>      |
| Total liabilities and net assets | <u>\$ 7,556,438</u> | <u>\$ 7,515,735</u> |

The accompanying independent auditor's report and notes are an integral part of the financial statements.

## Homestretch, Inc.

### Statement of Activities and Change in Net Assets for the year ended June 30, 2019

|   | Without donor<br>restrictions | With donor<br>restrictions | Total             |
|---|-------------------------------|----------------------------|-------------------|
| <b>Support and revenue</b>                      |                               |                            |                   |
| Federal and local grants                        | \$ 55,242                     | \$ -                       | \$ 55,242         |
| United Way                                      | 15,299                        | -                          | 15,299            |
| Contributions                                   | 1,817,867                     | 296,283                    | 2,114,150         |
| Client payments                                 | 140,830                       | -                          | 140,830           |
| Special events, net of expenses of \$52,655     | 417,501                       | -                          | 417,501           |
| Investment income, net                          | 7,772                         | -                          | 7,772             |
| Rental income                                   | 308,092                       | -                          | 308,092           |
| Other   | 17,576                        | -                          | 17,576            |
| Net assets released from restrictions           | 297,869                       | (297,869)                  | -                 |
| Total before in-kind support                    | 3,078,048                     | (1,586)                    | 3,076,462         |
| In-kind support                                 | 215,642                       | -                          | 215,642           |
| Total support and revenue                       | 3,293,690                     | (1,586)                    | 3,292,104         |
| <b>Expenses before depreciation</b>             |                               |                            |                   |
| Program services                                |                               |                            |                   |
| Direct housing and support services             | 2,292,008                     | -                          | 2,292,008         |
| Kidstretch                                      | 202,399                       | -                          | 202,399           |
| Supporting services                             |                               |                            |                   |
| Management and general                          | 275,925                       | -                          | 275,925           |
| Fundraising                                     | 123,158                       | -                          | 123,158           |
| Total expenses before depreciation              | 2,893,490                     | -                          | 2,893,490         |
| <b>Change in net assets before depreciation</b> | 400,200                       | (1,586)                    | 398,614           |
| Depreciation expense                            | 235,303                       | -                          | 235,303           |
| <b>Change in net assets</b>                     | 164,897                       | (1,586)                    | 163,311           |
| <b>Net assets, beginning of year</b>            | 522,217                       | 187,045                    | 709,262           |
| <b>Net assets, end of year</b>                  | <u>\$ 687,114</u>             | <u>\$ 185,459</u>          | <u>\$ 872,573</u> |

The accompanying independent auditor's report and notes are an integral part of the financial statements.

## Homestretch, Inc.

### Statement of Activities and Change in Net Assets for the year ended June 30, 2018

|   | Without donor<br>restrictions | With donor<br>restrictions | Total      |
|---|-------------------------------|----------------------------|------------|
| <b>Support and revenue</b>                      |                               |                            |            |
| Federal and local grants                        | \$ 90,263                     | \$ -                       | \$ 90,263  |
| United Way                                      | 20,253                        | -                          | 20,253     |
| Contributions                                   | 1,444,101                     | 278,835                    | 1,722,936  |
| Client payments                                 | 118,485                       | -                          | 118,485    |
| Special events, net of expenses of \$25,397     | 304,114                       | -                          | 304,114    |
| Investment income                               | 2,679                         | -                          | 2,679      |
| Rental income                                   | 286,327                       | -                          | 286,327    |
| Other   | 16,382                        | -                          | 16,382     |
| Net assets released from restrictions           | 223,913                       | (223,913)                  | -          |
| Total before in-kind support                    | 2,506,517                     | 54,922                     | 2,561,439  |
| In-kind support                                 | 219,322                       | -                          | 219,322    |
| Total support and revenue                       | 2,725,839                     | 54,922                     | 2,780,761  |
| <b>Expenses before depreciation</b>             |                               |                            |            |
| Program services                                | 2,289,821                     | -                          | 2,289,821  |
| Supporting services                             |                               |                            |            |
| Management and general                          | 358,956                       | -                          | 358,956    |
| Fundraising                                     | 148,488                       | -                          | 148,488    |
| Total expenses before depreciation              | 2,797,265                     | -                          | 2,797,265  |
| <b>Change in net assets before depreciation</b> | (71,426)                      | 54,922                     | (16,504)   |
| Depreciation expense                            | 228,783                       | -                          | -          |
| <b>Change in net assets</b>                     | (300,209)                     | 54,922                     | (245,287)  |
| <b>Net assets, beginning of year</b>            | 822,426                       | 132,123                    | 954,549    |
| <b>Net assets, end of year</b>                  | \$ 522,217                    | \$ 187,045                 | \$ 709,262 |

The accompanying independent auditor's report and notes are an integral part of the financial statements.

## Homestretch, Inc.

### Statement of Functional Expenses for the year ended June 30, 2019

| Expenses   | Direct Housing<br>& Support<br>Services | Kidstretch        | Total Program<br>services | Supporting services       |                   | Total               |
|--|---|-------------------|---------------------------|---------------------------|-------------------|---------------------|
|  |   |                   |                           | Management<br>and general | Fundraising       |                     |
| Bank and payroll fees  | \$ 5,077                                | \$ -              | \$ 5,077                  | \$ 1,269                  | \$ 424            | \$ 6,770            |
| Direct fundraising expenses  | -                                       | -                 | -                         | -                         | 52,655            | 52,655              |
| Fundraising  | -                                       | -                 | -                         | 3,338                     | 30,040            | 33,378              |
| Health insurance   | 87,336                                  | 15,516            | 102,852                   | 21,834                    | 7,278             | 131,964             |
| Housing assistance   | 281,215                                 | -                 | 281,215                   | -                         | -                 | 281,215             |
| Insurance  | 34,417                                  | 421               | 34,838                    | 8,604                     | 2,868             | 46,310              |
| Interest   | 108,822                                 | -                 | 108,822                   | 11,633                    | 4,986             | 125,441             |
| Legal  | 346                                     | -                 | 346                       | 87                        | 29                | 462                 |
| Occupancy  | 36,404                                  | 3,650             | 40,054                    | 9,101                     | 3,034             | 52,189              |
| Office expenses  | 24,954                                  | 11,771            | 36,725                    | 6,272                     | 2,091             | 45,088              |
| Other  | 12,625                                  | -                 | 12,625                    | 9,469                     | 3,156             | 25,250              |
| Payroll taxes  | 62,723                                  | 11,662            | 74,385                    | 18,592                    | 6,202             | 99,179              |
| Pension costs  | 37,768                                  | 5,807             | 43,575                    | 4,355                     | 1,452             | 49,382              |
| Postage and delivery   | 2,158                                   | -                 | 2,158                     | 540                       | 180               | 2,878               |
| Printing   | 1,528                                   | -                 | 1,528                     | 382                       | 127               | 2,037               |
| Professional fees  | 52,060                                  | -                 | 52,060                    | 13,016                    | 4,338             | 69,414              |
| Property expenses  | 104,097                                 | -                 | 104,097                   | 26,024                    | 8,675             | 138,796             |
| Rental properties  | 208,939                                 | -                 | 208,939                   | -                         | -                 | 208,939             |
| Repairs and maintenance  | 15,674                                  | -                 | 15,674                    | 3,918                     | 1,306             | 20,898              |
| Salaries   | 1,002,875                               | 153,572           | 1,156,447                 | 112,188                   | 37,396            | 1,306,031           |
| Taxes and licenses   | 24,815                                  | -                 | 24,815                    | 6,204                     | 2,067             | 33,086              |
| Telephone  | 11,799                                  | -                 | 11,799                    | 2,950                     | 983               | 15,732              |
|  | <u>2,115,632</u>                        | <u>202,399</u>    | <u>2,318,031</u>          | <u>259,776</u>            | <u>169,287</u>    | <u>2,747,094</u>    |
| In-kind expenses   |   |                   |                           |                           |                   |                     |
| Donated materials - at fair value  | 95,982                                  | -                 | 95,982                    | 16,149                    | 6,526             | 118,657             |
| Donated services - at fair value   | 80,394                                  | -                 | 80,394                    | -                         | -                 | 80,394              |
|  | <u>176,376</u>                          | <u>-</u>          | <u>176,376</u>            | <u>16,149</u>             | <u>6,526</u>      | <u>199,051</u>      |
| <b>Less expenses included with revenues<br/>on the statement of activities</b>           |   |                   |                           |                           |                   |                     |
| Direct fundraising expenses  | -                                       | -                 | -                         | -                         | (52,655)          | (52,655)            |
| <b>Total expenses by function<br/>before depreciation expense</b>                        | <u>2,292,008</u>                        | <u>202,399</u>    | <u>2,494,407</u>          | <u>275,925</u>            | <u>123,158</u>    | <u>2,893,490</u>    |
| Depreciation expense   | 176,478                                 | -                 | 176,478                   | 44,119                    | 14,706            | 235,303             |
| <b>Total expenses included in the expense<br/>section on the statement of activities</b> | <u>\$ 2,468,486</u>                     | <u>\$ 202,399</u> | <u>\$ 2,670,885</u>       | <u>\$ 320,044</u>         | <u>\$ 137,864</u> | <u>\$ 3,128,793</u> |

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Homestretch, Inc.

## Statement of Functional Expenses for the year ended June 30, 2018

| Expenses   | Direct Housing<br>& Support<br>Services | Supporting services       |                   | Total               |
|--|---|---------------------------|-------------------|---------------------|
|  |   | Management<br>and general | Fundraising       |                     |
| Bank and payroll fees  | \$ 5,937                                | \$ 1,484                  | \$ 495            | \$ 7,916            |
| Direct fundraising expenses  | -                                       | -                         | 25,397            | 25,397              |
| Fundraising  | -                                       | 3,180                     | 28,620            | 31,800              |
| Health insurance   | 83,615                                  | 20,904                    | 6,968             | 111,487             |
| Housing assistance   | 279,378                                 | -                         | -                 | 279,378             |
| Insurance  | 39,027                                  | 9,757                     | 3,252             | 52,036              |
| Interest   | 108,822                                 | 9,030                     | 3,870             | 121,722             |
| Legal  | 137                                     | 34                        | 11                | 182                 |
| Occupancy  | 35,322                                  | 8,830                     | 2,943             | 47,095              |
| Office expenses  | 26,462                                  | 6,616                     | 2,205             | 35,283              |
| Other  | 9,810                                   | 7,358                     | 2,453             | 19,621              |
| Payroll taxes  | 71,060                                  | 17,765                    | 5,922             | 94,747              |
| Pension costs  | 30,702                                  | 7,675                     | 2,558             | 40,935              |
| Postage and delivery   | 1,906                                   | 477                       | 159               | 2,542               |
| Printing   | 1,102                                   | 275                       | 92                | 1,469               |
| Professional fees  | 54,389                                  | 13,597                    | 4,532             | 72,518              |
| Property expenses  | 126,168                                 | -                         | -                 | 126,168             |
| Rental properties  | 221,713                                 | -                         | -                 | 221,713             |
| Repairs and maintenance  | 20,758                                  | 5,189                     | 1,730             | 27,677              |
| Salaries   | 942,746                                 | 235,687                   | 78,562            | 1,256,995           |
| Taxes and licenses   | 23,832                                  | 5,959                     | 1,986             | 31,777              |
| Telephone  | 10,558                                  | 2,639                     | 880               | 14,077              |
|  | <u>2,093,444</u>                        | <u>356,456</u>            | <u>172,635</u>    | <u>2,622,535</u>    |
| In-kind expenses   |   |                           |                   |                     |
| Donated materials - at fair value  | 51,910                                  | -                         | -                 | 51,910              |
| Donated services - at fair value   | 144,467                                 | 2,500                     | 1,250             | 148,217             |
|  | <u>196,377</u>                          | <u>2,500</u>              | <u>1,250</u>      | <u>200,127</u>      |
| <b>Less expenses included with revenues<br/>on the statement of activities</b>           |   |                           |                   |                     |
| Direct fundraising expenses  | -                                       | -                         | (25,397)          | (25,397)            |
| <b>Total expenses by function<br/>before depreciation expense</b>                        | <u>2,289,821</u>                        | <u>358,956</u>            | <u>148,488</u>    | <u>2,797,265</u>    |
| Depreciation expense   | 171,587                                 | 42,897                    | 14,299            | 228,783             |
| <b>Total expenses included in the expense<br/>section on the statement of activities</b> | <u>\$ 2,461,408</u>                     | <u>\$ 401,853</u>         | <u>\$ 162,787</u> | <u>\$ 3,026,048</u> |

The accompanying independent auditor's report and notes are an integral part of the financial statements.



# Homestretch, Inc.

## Statements of Cash Flows for the years ended June 30,

**2019****2018**

|   | <b>2019</b>         | <b>2018</b>         |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities</b>   |                     |                     |
| <b>Change in net assets</b>   | \$ 163,311          | \$ (245,287)        |
| <b>Adjustments to reconcile change in net assets to net cash provided by operating activities</b> |                     |                     |
| Depreciation  | 235,303             | 228,783             |
| Disposal of property  | 3,226               | -                   |
| Unrealized (gain) loss on investments   | 1,095               | (1,651)             |
| (Increase) decrease in operating assets   |                     |                     |
| Restricted cash - client savings accounts   | (23,558)            | 13,620              |
| Credit counseling accounts  | 21,799              | (10,143)            |
| Accounts and grants receivable  | (1,229)             | 37,026              |
| Prepaid expenses  | (13,127)            | (3,367)             |
| Deposits  | (855)               | 350                 |
| Increase (decrease) in operating liabilities  |                     |                     |
| Accounts payable and accrued expenses   | (10,578)            | 27,665              |
| Accrued vacation  | (11,687)            | 3,822               |
| Deposits  | 7,208               | 2,075               |
| Deferred revenue  | 4,199               | 150                 |
| Client savings payable  | 23,558              | (13,620)            |
| Credit counseling payable   | (8,291)             | 8,659               |
| Net cash provided by operating activities   | <u>390,374</u>      | <u>48,082</u>       |
| <b>Cash flows from investing activities</b>   |                     |                     |
| Donated stock received  | (16,130)            | (30,401)            |
| Purchase of property and equipment  | (47,526)            | (93,140)            |
| Net cash used in investing activities   | <u>(63,656)</u>     | <u>(123,541)</u>    |
| <b>Cash flows from financing activities</b>   |                     |                     |
| Principal payments on notes payable - property  | (22,115)            | (22,803)            |
| Principal payments on note payable - building   | (104,902)           | (99,143)            |
| Net cash used in financing activities   | <u>(127,017)</u>    | <u>(121,946)</u>    |
| <b>Net change in cash and cash equivalents</b>  | 199,701             | (197,405)           |
| <b>Cash and cash equivalents, beginning of year</b>   | <u>1,100,055</u>    | <u>1,297,460</u>    |
| <b>Cash and cash equivalents, end of year</b>   | <u>\$ 1,299,756</u> | <u>\$ 1,100,055</u> |
| <b>Supplemental disclosure of cash flow information</b>   |                     |                     |
| Cash paid for interest  | <u>\$ 123,493</u>   | <u>\$ 121,866</u>   |
| Income taxes paid   | <u>\$ -</u>         | <u>\$ -</u>         |

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Homestretch, Inc.

## Notes to Financial Statements June 30, 2019 and 2018

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### 1. **Organization and purpose**

Homestretch, Inc. (Homestretch or the Organization) was incorporated under the laws of the Commonwealth of Virginia as a nonprofit corporation on March 18, 1998, and it conducts its operations in Fairfax County, Virginia. The purpose of Homestretch is to provide transitional housing for families in need of financial assistance. Homestretch's main sources of revenue include funding from contributions, special events, rental income and client payments.

### 2. **Significant accounting policies**

#### **Basis of presentation**

The financial statements of Homestretch are presented in accordance with accounting principles generally accepted in the United States of America and have been prepared using the accrual method of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred. All revenue and expenses that are applicable to future periods have been presented as deferred revenue or prepaid expenses on Homestretch's statements of financial position.

#### **Financial statement presentation**

Homestretch 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 are available for use in general operations. Net assets with donor restrictions generally result from assets donated with restrictions that are temporary in nature, such as those met by the passage of time or other events specified by the donor. At June 30, 2019 and 2018, Homestretch had \$185,459 and \$187,045, respectively, in net assets with donor restrictions.

#### **Cash and cash equivalents**

For the purposes of the statements of cash flows, Homestretch considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Homestretch maintains its cash in bank accounts which, at times, may exceed federal deposit insurance corporation (FDIC) limits. FDIC insurance is \$250,000 per depositor, per insured bank. Homestretch's cash and cash equivalents were covered by FDIC for the years ended June 30, 2019 and 2018.

#### **Restricted cash - Clients' account**

Homestretch maintains two types of accounts in which funds are held on behalf of the clients. These funds are exclusively held for clients and are not available to pay Homestretch's expenses.

The Credit Counseling account is for the purpose of paying client debts. Any unused funds are returned to the client upon departure from the program. At June 30, 2019 and 2018, client funds held were \$26,57 and \$48,376 respectively.

The Client Savings accounts are held for the purpose of accumulating funds to be returned to the client to use for housing or other costs upon the client's departure from the program. Any withdrawals from these accounts while a client is in the program are per the client's request and must be approved by the Executive Director or Deputy Director. At June 30, 2019 and 2018, client funds held were \$101,052 and \$77,494 respectively.

#### **Accounts and grants receivable**

Homestretch considers the need for an allowance for uncollectible accounts and grants receivable based on a review of balances and historical collection experience. For the years ended June 30, 2019 and 2018, management considers all accounts and grants receivable to be collectible and, accordingly, has not established an allowance for uncollectible accounts. Accounts and grants receivable as of June 30, 2019 and 2018 are due in one year or less.

See independent auditor's report.

# Homestretch, Inc.

## Notes to Financial Statements June 30, 2019 and 2018

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### **Contributions and promises to give**

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. Homestretch reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

### **Revenue recognition**

Grant awards received by Homestretch are evaluated on an individual basis, based on grant specifications to determine appropriate recognition as either a contribution or cost reimbursement grant. Grants recorded as contributions are recognized as revenue in the year awarded. For grants determined to be cost reimbursement awards, grant revenue is recognized as costs are incurred, and funds received in excess of costs incurred are recorded as deferred revenue.

### **Investments**

Investments are measured at fair value in the statements of financial position based on publicly available market data obtained from services independent of Homestretch. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Investments are exposed to various risks including business, interest rate, market, exchange rate, liquidity, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that significant changes in the values of investments could occur in the near term.

### **Property and equipment**

Homestretch capitalizes all property and equipment acquisitions in excess of \$1,500. Property and equipment are recorded at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

### **In-kind support**

A substantial number of volunteers donate time to Homestretch. Certain donated services are reflected in the financial statements because the services require specialized skills as defined by accounting principles generally accepted in the United States of America and are an integral part of Homestretch's purpose. Donated property is reflected as a revenue or asset at the fair market value of the property on date of donation. In-kind support is detailed in Note 13 of these financial statements.

### **Accrued vacation**

Employees of Homestretch are entitled to paid vacation depending on job classification, length of service and other factors. Upon termination, an employee is compensated for any accrued but unpaid vacation pay. Accrued vacation balances were \$41,825 and \$53,512 as of June 30, 2019 and 2018, respectively.

### **Functional classification of expenses**

Expenses are charged to programs, management and general, or fundraising based on a combination of specific identification and allocation by management. The financial statements report certain categories of expenses that attributed to more than one function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, office related expenses, utilities and rent related expenses which are allocated on the basis of estimates of time and effort.

See independent auditor's report.

# Homestretch, Inc.

## Notes to Financial Statements June 30, 2019 and 2018

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### **Fair value of financial assets and liabilities**

Financial assets with carrying values approximating fair value include cash and cash equivalents, client savings accounts, credit counseling accounts, accounts and grants receivable, investments, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses, accrued vacation, deposits, deferred revenue, client savings payable, credit counseling payable, and current portion of notes payable. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities, and any associated interest rates approximate current market rates.

### **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Income taxes**

Homestretch is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. However, income from certain activities not directly related to Homestretch's tax-exempt purpose is subject to taxation as unrelated business income. There was no liability for unrelated business income for the years ended June 30, 2019 and 2018.

The material jurisdictions subject to potential examination by taxing authorities include the U.S. and the Commonwealth of Virginia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the organization's results of operations. Tax years that remain subject to examination by the IRS are the fiscal years ended June 30, 2016 through June 30, 2019.

### **Recently adopted accounting pronouncements**

The Organization adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, modifying ASC 958. The change has been applied as of July 1, 2018 with no effect on beginning net assets.

### **New accounting pronouncements**

The FASB has issued Accounting Standards Update (ASU) 2014-09 (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted the standard on its effective date, which for the Organization was July 1, 2019.

The FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance clarifies how entities will determine whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as an exchange transaction or a contribution and how they will determine whether a contribution is conditional. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted the standard on its effective date, which for the Organization was July 1, 2019.

The FASB has issued Accounting Standards Update (ASU) 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 20, 2020. The Organization adopted the standard on its effective date, which for the Organization is July 1, 2021.

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# Homestretch, Inc.

## Notes to Financial Statements June 30, 2019 and 2018

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The FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows - Restricted Cash* (Topic 230), which requires that restricted cash and cash equivalents be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The Organization adopted the standard on its effective date, which for the Organization was July 1, 2019.

### Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

### 3. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

|  |    |                  |
|--|----|------------------|
| Cash and cash equivalents  | \$ | 1,299,757        |
| Accounts and grants receivable   |    | <u>71,536</u>    |
|  |    | 1,371,293        |
| Less amounts unavailable for general expenditures within one year due to:              |    |                  |
| Donor imposed restrictions   |    | <u>(185,459)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ | <u>1,185,834</u> |

### 4. Fair value measurements

Homestretch classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. For the years ended June 30, 2019 and 2018, investments were held in a brokerage account and classified as Level 1 investments. Investments consisted of the following:

|                                     | <u>Level 1 and total<br/>2019</u> | <u>Level 1 and total<br/>2018</u> |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Cash                                | \$ 1,521                          | \$ 922                            |
| Common stocks                       | 48,624                            | 40,796                            |
| Exchange traded funds               | <u>6,608</u>                      | -                                 |
| Total assets reported at fair value | <u>\$ 56,753</u>                  | <u>\$ 41,718</u>                  |

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## Homestretch, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

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#### 5. Property and equipment

A summary of information relative to property for 2019 and 2018 was as follows:

|  | <u>2019</u>         | <u>2018</u>         | <u>Useful life</u> |
|--|---------------------|---------------------|--------------------|
| Furniture and equipment                      | \$ 89,767           | \$ 99,839           | 5 - 10 years       |
| Residential property and improvements        | 6,124,428           | 6,089,059           | 5 - 40 years       |
| Homestretch office building and improvements | <u>1,460,022</u>    | <u>1,447,864</u>    | 5 - 39 years       |
|  | 7,674,217           | 7,636,762           |                    |
| Accumulated depreciation                     | <u>(3,020,149)</u>  | <u>(2,791,691)</u>  |                    |
|  | 4,654,068           | 4,845,071           |                    |
| Land   | <u>1,308,452</u>    | <u>1,308,452</u>    |                    |
|  | <u>\$ 5,962,520</u> | <u>\$ 6,153,523</u> |                    |

Depreciation expense for the years ended June 30, 2019 and 2018 was \$235,304 and \$228,783, respectively.

#### 6. Client accounts

Homestretch maintains a credit counseling account and client savings accounts for amounts deposited by Homestretch clients for savings and debt repayment. These deposits are a condition of participation in the transitional housing program provided by Homestretch. As these accounts contain cash that is paid out to the clients when they leave the program, the balances are included as credit counseling payable and client savings payable on the accompanying statements of financial position. Client cash accounts and payables consisted of the following as of June 30:

|                            | <u>2019</u>      | <u>2018</u>        |
|----------------------------|------------------|--------------------|
| Credit counseling account  | \$ 26,577        | \$ 48,376          |
| Client savings account     | 101,052          | 77,494             |
| Credit counseling payable  | (26,577)         | (34,868)           |
| Client savings payable     | <u>(101,052)</u> | <u>(77,494)</u>    |
|                            | <u>\$ -</u>      | <u>\$ 13,508</u>   |
| Outstanding checks         | <u>\$ -</u>      | <u>\$ (13,508)</u> |
| Net client account balance | <u>\$ -</u>      | <u>\$ -</u>        |

#### 7. Line of credit

Homestretch holds a line of credit for \$692,000 that is secured by the land and its office building with a fluctuating interest rate per annum equal to the Prime Rate. The line of credit matured on July 31, 2019. Subsequent to the year ended June 30, 2019 the line of credit was renewed until July 31, 2024. No amounts were outstanding as of June 30, 2019 and 2018.

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## Homestretch, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

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#### 8. Notes payable - grants

Notes payable - grants is comprised of the following as of June 30:

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| Fairfax County Redevelopment and Housing Authority | <u>\$ 3,447,490</u> | <u>\$ 3,447,490</u> |

According to the promissory notes, principal and interest payments are not required to be paid to the Fairfax County Redevelopment and Housing Authority for as long as Homestretch operates the related collateral as *affordable housing* as defined by the Fairfax County Redevelopment and Housing Authority. The notes are secured by related property. The promissory notes begin maturing in October 2020. The following table shows maturities for the years ending June 30:

|            | <u>Balance</u>      |
|------------|---------------------|
| 2020       | \$ -                |
| 2021       | 161,700             |
| 2022       | -                   |
| 2023       | 106,000             |
| 2024       | 115,000             |
| Thereafter | 3,064,790           |
|            | <u>\$ 3,447,490</u> |

#### 9. Notes payable - property

Homestretch has the following notes outstanding as of June 30:

| <u>Description</u>  | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|
| Note payable, United Bank, principal and interest of \$324, payable monthly at 3.75% secured by property in Falls Church, Virginia  | \$ 62,556   | \$ 64,036   |
| Note payable, United Bank, principal and interest of \$758, payable monthly at 3.50%, secured by property in Annandale, Virginia    | 37,122      | 44,750      |
| Note payable, United Bank, principal and interest of \$755, payable monthly at 3.50%, secured by property in Falls Church, Virginia | 37,002      | 44,606      |
| Note payable, United Bank, principal and interest of \$639, payable monthly at 3.50%, secured by property in Falls Church, Virginia | 31,294      | 37,725      |

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## Homestretch, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

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| Description   | 2019      | 2018      |
|---|-----------|-----------|
| Note payable, United Bank, principal and interest of \$817, payable monthly at 4%, secured by property in Falls Church, Virginia    | \$ 44,980 | \$ 52,791 |
| Note payable, United Bank, principal and interest of \$1,365, payable monthly at 4%, secured by property in Falls Church, Virginia  | 75,097    | 88,138    |
| Note payable, United Bank, principal and interest of \$748, payable monthly at 3.50%, secured by property in Falls Church, Virginia | 36,645    | 44,176    |
| Note payable, United Bank, principal and interest of \$782, payable monthly at 4%, secured by property in Falls Church, Virginia    | 43,024    | 50,496    |
| Note payable, United Bank, principal and interest of \$995, payable monthly at 4%, secured by property in Falls Church, Virginia    | 54,758    | 64,267    |
| Note payable, United Bank, principal and interest of \$703, payable monthly at 4.98%, secured by property in Falls Church, Virginia | 95,518    | 99,035    |
| Note payable, United Bank, principal and interest of \$615, payable monthly at 4.98%, secured by property in Falls Church, Virginia | 83,560    | 86,637    |
| Note payable, United Bank, principal and interest of \$586, payable monthly at 4.98%, secured by property in Falls Church, Virginia | 79,577    | 82,507    |
| Note payable, United Bank, principal and interest of \$657, payable monthly at 4.98%, secured by property in Falls Church, Virginia | 89,240    | 92,525    |
| Note payable, United Bank, principal and interest of \$590, payable monthly at 4.98%, secured by property in Annandale, Virginia    | 80,125    | 83,075    |
| Note payable, United Bank, principal and interest of \$648, payable monthly at 3.75% secured by property in Annandale, Virginia     | 125,111   | 128,072   |

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## Homestretch, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

| Description   | 2019                | 2018                |
|---|---------------------|---------------------|
| Note payable, United Bank, principal and interest of \$595, payable monthly at 4.78%, secured by property in Falls Church, Virginia           | \$ 73,896           | \$ 77,358           |
| Note payable, United Bank, principal and interest of \$454 payable monthly at 3.75%, secured by property in Falls Church, Virginia            | 87,946              | 90,000              |
| Note payable, United Bank, principal and interest of \$357 payable monthly at 3.75%, secured by property in Falls Church, Virginia            | 69,100              | 70,714              |
| Note payable, Burke and Herbert Bank, principal and interest of \$709, payable monthly at 4.95% secured by property in Falls Church, Virginia | 81,516              | 85,819              |
| Note payable, Burke and Herbert Bank, principal and interest of \$605, payable monthly at 5.1% secured by property in Falls Church, Virginia  | 68,949              | 72,547              |
| Note payable, Burke and Herbert Bank, principal and interest of \$500, payable monthly at 4.5%, secured by property in Falls Church, Virginia | <u>73,252</u>       | <u>75,896</u>       |
| Total   | <u>1,430,268</u>    | <u>1,535,170</u>    |
| Less amounts due within one year  | <u>(109,192)</u>    | <u>(107,097)</u>    |
| Long-term notes payable- property   | <u>\$ 1,321,076</u> | <u>\$ 1,428,073</u> |

A summary of future debt service requirements is as follows for the fiscal years ending June 30:

|            |                     |
|------------|---------------------|
| 2020       | \$ 109,192          |
| 2021       | 113,993             |
| 2022       | 118,834             |
| 2023       | 124,241             |
| 2024       | 108,704             |
| Thereafter | <u>855,304</u>      |
| Total      | <u>\$ 1,430,268</u> |

#### 10. Notes payable - building

Homestretch has two mortgage loans secured by land and its office building. The first mortgage bears interest at 3.25 percent through May 30, 2018, then 3.75 percent through May 30, 2023, and a five-year LIBOR swap rate plus 3.00 percent, with a floor of 3.75 percent through May 31, 2028. The swap rate shall mean as of any date, the annual rate of interest designated as the 5-year interest rate swap for the most recent individual day which is posted in Federal Reserve Statistical Release H.15. The loan required interest-only payments for the first year. After the first year, monthly payments are \$4,416, which include principal and interest. The loan matures May 2028. The outstanding balance on the first mortgage was \$877,703 and \$899,818 as of June 30, 2019 and 2018, respectively.

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## Homestretch, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

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There is an additional mortgage on the property with an outstanding balance of \$623,483 as of June 30, 2019 and 2018. The second mortgage was amended on May 23, 2013, and the current terms include an interest rate of 3.75 percent per year through August 1, 2018, which increases to 4.25 percent per year through August 1, 2020 at which time the balance of the loan is due.

A summary of future debt service requirements is as follows for the fiscal years ending June 30:

|            |    |                  |
|------------|----|------------------|
| 2020       | \$ | 22,880           |
| 2021       |    | 647,339          |
| 2022       |    | 24,779           |
| 2023       |    | 25,800           |
| 2024       |    | 26,800           |
| Thereafter |    | <u>753,588</u>   |
| Total      | \$ | <u>1,501,186</u> |

#### 11. Concentrations

Homestretch received contributions from two donors that represented 27 percent and 25 percent of the total revenue for the years ended June 30, 2019 and 2018, respectively.

#### 12. Special events

Homestretch sponsors special events during the year to raise public awareness of its mission and to raise funds for its programs.

A summary of special events for the year ended June 30, 2019 is as follows:

|                 | <u>Annual<br/>breakfast</u> | <u>Celebrate<br/>Homestretch</u> | <u>Homerun for<br/>the Homeless</u> | <u>Total</u>      |
|-----------------|-----------------------------|----------------------------------|-------------------------------------|-------------------|
| Revenue         | \$ 360,462                  | \$ 97,953                        | \$ 11,741                           | \$ 470,156        |
| Direct expenses | <u>(26,487)</u>             | <u>(17,423)</u>                  | <u>(8,745)</u>                      | <u>(52,655)</u>   |
|                 | <u>\$ 333,975</u>           | <u>\$ 80,530</u>                 | <u>\$ 2,996</u>                     | <u>\$ 417,501</u> |

A summary of special events for the years ended June 30, 2018 is as follows:

|                 | <u>Annual<br/>breakfast</u> |
|-----------------|-----------------------------|
| Revenue         | \$ 329,511                  |
| Direct expenses | <u>(25,397)</u>             |
|                 | <u>\$ 304,114</u>           |

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## Homestretch, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

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#### 13. In-kind support

A summary of in-kind support received for the years ended June 30, 2019 and 2018 is as follows:

|                                       | <u>2019</u>       | <u>2018</u>       |
|---------------------------------------|-------------------|-------------------|
| Professional volunteers               | \$ 49,792         | \$ 36,510         |
| Professional services                 | 30,602            | 15,400            |
| Automobiles and property improvements | 11,662            | 30,323            |
| Housing improvements                  | 16,590            | -                 |
| Donated materials                     | 106,996           | 137,089           |
| Total in-kind support                 | <u>\$ 215,642</u> | <u>\$ 219,322</u> |

In-kind professional services for the year ended June 30, 2019 included legal services and database development services. In-kind services for the year ended June 30, 2018 included legal services and database development services. Professional volunteers consist of volunteer tax preparers who are certified by the IRS.

#### 14. Net assets with donor restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2019:

|                                  | <u>2018</u>       | <u>Additions</u>  | <u>Releases</u>     | <u>2019</u>       |
|----------------------------------|-------------------|-------------------|---------------------|-------------------|
| <i>Restricted for programs</i>   |                   |                   |                     |                   |
| Housing assistance               | \$ 102,477        | \$ 204,551        | \$ (225,042)        | \$ 81,986         |
| Youth & family services          | 24,114            | 19,201            | (16,283)            | 27,032            |
| Medical                          | 27,368            | 4,825             | (16,466)            | 15,727            |
| Employment services              | 10,398            | 28,433            | (23,586)            | 15,245            |
| Financial management & education | 7,163             | 10,000            | (7,536)             | 9,627             |
| Other                            | 15,525            | 29,273            | (8,956)             | 35,842            |
| Total                            | <u>\$ 187,045</u> | <u>\$ 296,283</u> | <u>\$ (297,869)</u> | <u>\$ 185,459</u> |

Net assets with donor restrictions consisted of the following as of June 30, 2018:

|                                  | <u>2017</u>       | <u>Additions</u>  | <u>Releases</u>     | <u>2018</u>       |
|----------------------------------|-------------------|-------------------|---------------------|-------------------|
| <i>Restricted for programs</i>   |                   |                   |                     |                   |
| Housing assistance               | \$ 64,341         | \$ 188,100        | \$ (149,964)        | \$ 102,477        |
| Youth & family services          | 9,670             | 35,220            | (20,776)            | 24,114            |
| Medical                          | 16,850            | 25,515            | (14,997)            | 27,368            |
| Employment services              | 997               | 20,000            | (10,599)            | 10,398            |
| Financial management & education | 13,100            | 10,000            | (15,937)            | 7,163             |
| Other                            | 27,165            | -                 | (11,640)            | 15,525            |
| Total                            | <u>\$ 132,123</u> | <u>\$ 278,835</u> | <u>\$ (223,913)</u> | <u>\$ 187,045</u> |

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## Homestretch, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

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#### 15. Commitments

Homestretch leases housing for families participating in their transitional housing program. Housing is located within the Fairfax County and Falls Church, Virginia area. Leases are signed for various lease terms ranging from month-to-month to two years. Future minimum rental expense is \$88,300 and \$17,500 for the years ending June 30, 2020 and 2021, respectively. Rental properties expense for leased housing was \$208,938 and \$221,712 for the years ended June 30, 2019 and 2018, respectively.

#### 16. Pension plan

Homestretch has a 401(k) plan for its employees. Employees become eligible to participate in the Plan after six months of employment. Homestretch matches up to 5 percent of employee contributions of their regular salary. Employees become vested in the matching contributions immediately. The matching expense provided for the years ended June 30, 2019 and 2018 was \$49,382 and \$40,936, respectively. Homestretch may make annual discretionary contributions to the Plan, which would be subject to a "cliff" vesting schedule. No discretionary contributions were made during the years ended June 30, 2019 and 2018.

#### 17. Subsequent events

Homestretch assessed events occurring subsequent to June 30, 2019 through November 18, 2019, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. Other than the events mentioned in Note 7, no events have occurred that would require adjustment to or disclosure in the financial statements.