

Homefront, Inc.
Financial Statements
August 31, 2019



Homefront, Inc.
Table of Contents

	Page
Report of Independent Auditor	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Homefront, Inc.

We were engaged to audit the accompanying financial statements of Homefront, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Because we were not engaged as auditors until after the end of the year, we were not present to observe the taking of physical inventories at August 31, 2019 (stated at \$336,108), and we were unable to satisfy ourselves concerning inventory quantities on hand at those dates by other auditing procedures.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Knight Rolleri Sheppard CPAS, LLP

Knight Rolleri Sheppard CPAS, LLP
Fairfield, Connecticut
September 7, 2021

Homefront, Inc.
Statement of Financial Position
August 31, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$ 38,237
Inventory	336,108
Prepaid assets	6,726
Total current assets	<u>381,071</u>

Property and Equipment:

Office equipment	22,415
Vehicles	21,805
Other fixed assets	9,027
Total property and equipment	<u>53,247</u>
Less: accumulated depreciation	<u>(53,247)</u>
Net property and equipment	-
Total assets	<u><u>\$ 381,071</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 6,449
Accrued expenses	26,700
Total current liabilities	<u>33,149</u>

Net Assets:

Without donor restrictions	<u>347,922</u>
Total net assets	<u>347,922</u>
Total liabilities and net assets	<u><u>\$ 381,071</u></u>

See report of independent auditor and notes to financial statements.

Homefront, Inc.
Statement of Activities
For the Year Ended August 31, 2019

Revenue, Gains and Support:	
Donations	\$ 499,809
Donated services	296,816
Donated materials	276,396
Total revenue and support	<u>1,073,021</u>
Expenses and Losses	
Program services	1,036,542
Fundraising	44,744
Management and general	121,875
Total expenses and losses	<u>1,203,160</u>
Change in Net Assets	<u>(130,139)</u>
Net Assets, Beginning of Year	478,061
Net Assets, End of Year	<u><u>\$ 347,922</u></u>

See report of independent auditor and notes to financial statements.

Homefront, Inc.
Statement of Cash Flows
For the Year Ended August 31, 2019

Cash flows used by operating activities:	
Change in net assets	\$ (130,139)
Adjustments to reconcile change in net assets to cash provided (used) for operating activities:	
Decrease in inventory	77,090
Decrease in prepaid assets	400
Increase in accounts payable	6,449
Increase in accrued expenses	13,500
Net cash used by operating activities	<u>(32,700)</u>
Net decrease in cash and cash equivalents	<u>(32,700)</u>
Beginning cash and cash equivalents	70,937
Ending cash and cash equivalents	<u><u>\$ 38,237</u></u>

See report of independent auditor and notes to financial statements.

Homefront, Inc.

Statement of Functional Expenses
For the Year Ended August 31, 2019

	Program	Supporting Services		Total
		Management and General	Fundraising	
Building materials	\$ 483,897	\$ -	\$ -	\$ 483,897
Building services	296,816	-	-	296,816
Salaries and wages	152,728	23,349	74,052	250,129
Occupancy	42,302	1,199	3,267	46,768
Employee benefits	16,707	2,554	8,101	27,362
Professional fees	7,263	14,537	2,674	24,475
Advertising and promotion	-	-	24,258	24,258
Payroll taxes	12,341	1,887	5,984	20,212
Insurance	13,201	698	1,981	15,880
Travel	6,634	319	1,011	7,964
Office supplies	4,651	201	547	5,399
Total expenses	<u>\$ 1,036,542</u>	<u>\$ 44,744</u>	<u>\$ 121,875</u>	<u>\$ 1,203,160</u>

See report of independent auditor and notes to financial statements.

Homefront, Inc.
Notes to Financial Statements
August 31, 2019
(See Report of Independent Auditor)

NOTE 1 - ORGANIZATION

Homefront, Inc., (the "Organization") is a community-based volunteer home repair program that provides quality-of-life repairs at no cost to homeowners in need. Since its founding in 1988, the Organization has revitalized 2,400 properties in 150 communities in Connecticut and New York, combining skilled labor, quality materials and enthusiastic volunteers to bring about enduring changes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). Accordingly, the accounts of the Organization are reported by net asset category. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When net assets with donor restrictions expire, 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. Restricted gifts received and consumed within the same fiscal period are reflected as unrestricted gifts. At August 31, 2019 the Organization maintains no donor restricted assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates include, but are not limited to, depreciable asset lives, allocation of functional expenses, etc. Actual results could differ from those estimates.

Homefront, Inc.
Notes to Financial Statements
August 31, 2019
(See Report of Independent Auditor)

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long term purposes, to be cash and cash equivalents. Accounts are guaranteed by the FDIC up to \$250,000 per financial institution. As of August 31, 2019 the Organization had no uninsured cash on deposit. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk in maintaining accounts with the financial institutions.

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The basis of allocation includes salaries and wages, direct and indirect allocations.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated lives of the assets, which range from 3 to 7 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. The cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently

Donated Building Supplies

The Organization reports gifts of donated supplies as unrestricted support unless explicit donor stipulations specify how or where the donated supplies must be used. Gifts of donated supplies with explicit restrictions that specify how or where the assets are to be used are reported as temporarily restricted support. Donated supplies are recognized at wholesale value, which approximates fair value, as provided by the donor or, in the absence of donors' valuations, at wholesale values estimated by the Organization using published industry information. Donated supplies that remain at year end are recorded as inventory, generally at wholesale value. Unrestricted donated supplies not yet distributed had an approximate wholesale value of \$336,108. Reserves for slow-moving and obsolete building supplies have been established.

Donated Services and Materials

The Organization receives services provided by a wide variety of organizations, professionals and construction volunteers who receive no fees or salaries, except for reimbursement of certain travel and related expenses. The organization records as revenue the fair value of the contributed services, supplies and products, with an equivalent amount recorded as expenses.

Homefront, Inc.
Notes to Financial Statements
August 31, 2019
(See Report of Independent Auditor)

Tax Exempt Status

The Organization is a not-for-profit corporation and has been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and accordingly does not record a provision for income taxes on its related earnings. Annual informational tax returns filed for periods ending June 30, 2018, and subsequent remain subject to examination by applicable taxing authorities.

NOTE 3 – LEASE COMMITMENTS

The Organization has month to month rental agreements with all its properties. Rent expense for the year ended August 31, 2019, was \$30,000 for their administrative offices and \$14,400 for their warehouse and temporary storage.

NOTE 4 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor and other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 38,237
	<u>\$ 38,237</u>

For purposes of analyzing resources available to meet general expenditures over a twelve-month period the Organization considers all expenditures related to the day-to-day operations including peak activity periods during HomeFront days. The Organization operates with a balanced budget and anticipates collecting sufficient money from donors, grantors and others for general expenditures to support its annual operations.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2019:

Office equipment	\$ 22,415
Vehicles	21,805
Other fixed assets	9,027
Total property and equipment	<u>53,247</u>
Less: accumulated depreciation	<u>(53,247)</u>
Net property and equipment	<u>\$ -</u>

Homefront, Inc.
Notes to Financial Statements
August 31, 2019
(See Report of Independent Auditor)

All assets are fully depreciated at August 31, 2019.

NOTE 8 - CONCENTRATION OF RISK

The Organization top five donors have contributed 45% of total revenues for the year ended August 31, 2019.

NOTE 9- DONATED PROFESSIONAL SERVICES

The Organization received donated professional services during the year ended August 31, 2019. The Organization records the value of these skilled services using published rates for volunteers. The total recorded services for the year ended August 31, 2019 is \$296,816.

NOTE 10 – RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year subsequent to August 31, 2019.

Pursuant to the global pandemic and the ensuing financial crisis, Federal loans became available under the new CARES Act. Management of the Organization applied for and received \$150,000 in funding under the loan program.

Management believes it is well positioned with enough donations as well as the loan proceeds to maintain operations through the pandemic. The loan program is designed to have the debt forgiven if certain conditions are met by the Organization in the use of the funds.

NOTE 11 – SUBSEQUENT EVENTS

In accordance with the FASB Accounting Standards Codification (“ASC”) Topic 855, Subsequent Events, the Organization has evaluated subsequent events to the Statement of Financial Position date of June 30, 2019 through September 7, 2021, which is the date the financial statements were available to be issued. Management has received a loan under the CARES Act as described in Note 10. Loan forgiveness has been applied for by the Organization and received full forgiveness subsequent to the end of the year.



Organizational Note to FY 2019 & 2020 Financial Statements

In the middle of completing their engagement for HomeFront's 2019 fiscal year and at the start of the process for 2020, HomeFront's prior audit firm unexpectedly announced their decision to discontinue their non-profit audit practice due, in part, to COVID reasons. HomeFront embarked on a comprehensive search for a new accounting firm. The length of time it would take to identify and forge a relationship with a new firm in the non-profit space was unforeseen and partly a function of the pandemic. This hindered the program from arranging for verification of our building material inventory for the close of fiscal years 2019 & 2020. As described to us by our new audit firm, their professional standards require observation of physical inventories and timing of their contractual engagement precluded them from that observation.

We are pleased to have engaged Knight Rolleri Sheppard CPAS, LLP. As a result of this, our inventory for the close of fiscal year 2021 has been verified in preparation for the 2021 audit. Any inquiries on this matter can be directed to:

Mr. John Rolleri, CPA, Partner
Knight, Rolleri Sheppard CPAS, LLP
2150 Post Road, 5th Fl.
Fairfield, CT 06824
jmr@krscpasllp.com
203-259-2727

Very truly yours,

Sean C. O'Brien
Executive Director