

**Homefront, Inc.**  
**Financial Statements**  
**August 31, 2020**



**Homefront, Inc.**  
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## 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 statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, 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 conducting the audits 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, 2020 and 2019 (stated at \$319,663 and 336,108, respectively), 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  
October 21, 2021

**Homefront, Inc.**  
**Statements of Financial Position**  
**August 31, 2020 and 2019**

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 280,293	\$ 38,237
Donated building materials and supplies	319,663	336,108
Promises to give	655	-
Prepaid assets	6,726	6,726
Total current assets	607,337	381,071
<b>Property and Equipment:</b>		
Office equipment	22,415	22,415
Vehicles	22,963	21,805
Other fixed assets	9,027	9,027
Total property and equipment	54,405	53,247
Less: accumulated depreciation	(36,034)	(53,247)
Net property and equipment	18,371	-
Total assets	\$ 625,708	\$ 381,071

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>		
Short-term portion of debt	\$ 54,180	\$ -
Accounts payable	8,449	6,449
Accrued expenses	35,500	26,700
Employee benefit withholding	1,320	-
Total current liabilities	99,449	33,149
<b>Long-term Liabilities:</b>		
Long-term debt	149,816	-
Total liabilities	249,265	33,149
<b>Net Assets:</b>		
Without donor restrictions		
Undesignated for mission purposes	358,072	347,922
Property and equipment	18,371	-
Total net assets	376,443	347,922
Total liabilities and net assets	\$ 625,708	\$ 381,071

See report of independent auditor and notes to financial statements.

**Homefront, Inc.**  
**Statements of Activities**  
**For the Years Ended August 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Revenue, Gains and Support:</b>		
Donations	\$ 511,603	\$ 499,809
Donated services	98,178	296,816
Donated materials	57,297	276,396
Other income	3,918	-
Total revenue, gains and support	<u>670,996</u>	<u>1,073,021</u>
 <b>Expenses and Losses</b>		
Program services	477,695	1,036,542
Fundraising	43,996	44,744
Management and general	120,784	121,875
Total expenses and losses	<u>642,475</u>	<u>1,203,160</u>
 <b>Change in Net Assets</b>	<u>28,521</u>	<u>(130,139)</u>
 <b>Net Assets, Beginning of Year</b>	347,922	478,061
 <b>Net Assets, End of Year</b>	<u><u>\$ 376,443</u></u>	<u><u>\$ 347,922</u></u>

See report of independent auditor and notes to financial statements.

**Homefront, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash flows used by operating activities:</b>		
Change in net assets	\$ 28,521	\$ (130,139)
Adjustments to reconcile change in net assets to cash provided (used) for operating activities:		
Depreciation	4,592	-
Increase in promises to give	(655)	-
Decrease in building materials and supplies	16,445	77,090
Decrease in prepaid assets	-	400
Increase in accounts payable	2,000	6,449
Increase in employee benefit withholding	1,320	-
Increase in accrued expenses	8,800	13,500
	<hr/>	<hr/>
Net cash provided (used) by operating activities	61,023	(32,700)
 <b>Cash flows provided (used) by investing activities:</b>		
Purchase of fixed assets	(22,963)	-
Net cash used by investing activities	<hr/> (22,963)	<hr/> -
 <b>Cash flows provided (used) by financing activities:</b>		
Proceeds from PPP loan	53,316	-
Proceeds from EIDL loan, including deferred interest	150,680	-
Net cash provided by financing activities	<hr/> 203,996	<hr/> -
 <b>Net increase (decrease) in cash and cash equivalents</b>	242,056	(32,700)
 <b>Beginning cash and cash equivalents</b>	38,237	70,937
 <b>Ending cash and cash equivalents</b>	<hr/> <u>\$ 280,293</u>	<hr/> <u>\$ 38,237</u>

See report of independent auditor and notes to financial statements.



**Homefront, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended August 31, 2020 and 2019**

	For the Year Ended August 31, 2020			
	Supporting Services			Total
	Program	Management and General	Fundraising	
Salaries and wages	\$ 153,015	\$ 23,393	\$ 74,191	\$ 250,599
Buidling materials	131,686	-	-	131,686
Building services	98,818	-	-	98,818
Occupancy	38,439	2,214	6,078	46,731
Employee benefits	18,629	2,848	9,032	30,509
Professional fees	1,034	12,025	8,241	21,300
Payroll taxes	12,282	1,878	5,955	20,115
Insurance	10,419	962	2,642	14,023
Advertising and promotion	-	-	12,713	12,713
Office supplies	4,956	456	1,253	6,665
Depreciation	4,592	-	-	4,592
Travel	3,319	174	550	4,044
Interest	506	47	128	680
<b>Total expenses</b>	<b>\$ 477,695</b>	<b>\$ 43,996</b>	<b>\$ 120,784</b>	<b>\$ 642,475</b>

	For the Year Ended August 31, 2019			
	Supporting Services			Total
	Program	Management and General	Fundraising	
Buidling 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
<b>Total expenses</b>	<b>\$ 1,036,542</b>	<b>\$ 44,744</b>	<b>\$ 121,875</b>	<b>\$ 1,203,160</b>

See report of independent auditor and notes to financial statements.

**Homefront, Inc.**  
**Notes to Financial Statements**  
**August 31, 2020**  
**(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, 2020 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, 2020**  
**(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, 2020 the Organization has \$30,293 of 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 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 \$319,663 and \$336,108 as of August 31, 2020 and 2019, respectively. Reserves for slow-moving and obsolete building supplies have been established.

**Donated Services**

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 with an equivalent amount recorded as expenses. Fair value is based upon published volunteer rates. All donated services are used in the primary program of home repair.

**Homefront, Inc.**  
**Notes to Financial Statements**  
**August 31, 2020**  
**(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 August 31, 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 years ended August 31, 2020 and 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	\$ 280,293
	\$ 280,293

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 5 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Office equipment	\$ 22,415	\$ 22,415
Vehicles	22,963	21,805
Other fixed assets	9,027	9,027
Total property and equipment	54,405	53,247
Less: accumulated depreciation	(36,034)	(53,247)
Net property and equipment	\$ 18,371	\$ -

**Homefront, Inc.**  
**Notes to Financial Statements**  
**August 31, 2020**  
(See Report of Independent Auditor)

**NOTE 6 – LONG-TERM DEBT**

The Organization has the following debt arrangements:

EIDL Loan

Principal	150,000
Balance at August 31, 2021	150,680
Interest	2.75%
Maturity	5/15/2051
Other terms:	
a) Security has been waived by the SBA under this program	

PPP Loan

Principal	53,316
Balance at August 31, 2021	53,316
Interest	1.00%
Maturity	5/4/2021
Other terms:	
Forgivable debt meeting certain requirements	

Principal payments over the next five years are as follows:

	<u>Amount</u>
2021	\$ 54,180
2022	3,518
2023	3,616
2024	3,717
2025	3,820
Thereafter	135,145
	<u>\$ 203,996</u>

**NOTE 7 – PENSION PLAN**

The Organization adopted a pension plan under 401k of the Internal Revenue Code. It is available to all full-time employees meeting a certain threshold. The Organization is not required to contribute to the plan and there was no cost for the years ended August 31, 2020 and 2019.



**Homefront, Inc.**  
**Notes to Financial Statements**  
**August 31, 2020**  
**(See Report of Independent Auditor)**

**NOTE 8 - CONCENTRATION OF RISK**

The Organization top five donors have contributed 46% of contribution revenues for the year ended August 31, 2020.

Building material donations are provided to the Organization and in any particular year the concentration from a single donor can exceed 10% of the total donated materials.

**NOTE 9- DONATED PROFESSIONAL SERVICES**

The Organization received donated professional services during the year ended August 31, 2020 and 2019. The Organization records the value of these skilled services using published rates for volunteers. The total recorded services for the years ended August 31, 2020 and 2019 is \$98,178 and \$296,816, respectively.

**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, 2020.

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 two loans; a \$150,000 under the Economic Injury Disaster Loan program and another for \$53,316 under the Paycheck Protection Program (See Note 6).

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.

**Homefront, Inc.**  
**Notes to Financial Statements**  
**August 31, 2020**  
**(See Report of Independent Auditor)**

**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 August 31, 2020 through October 21, 2021, which is the date the financial statements were available to be issued. Management has received a loan under the Paycheck Protection Program 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.

The Organization executed a new lease for warehouse space 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:

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Very truly yours,

Sean C. O'Brien  
Executive Director