

Homefront, Inc.
Financial Statements
August 31, 2021



Homefront, Inc.
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REPORT OF INDEPENDENT AUDITOR

To the Board of Directors of
Homefront, Inc.

Unmodified Opinion on August 31, 2021 Statement of Financial Position and Qualified Opinion on August 31, 2021 Results of Operations and August 31, 2020 Financial Statements

We have audited the accompanying financial statements of Homefront, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities and cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects on the August 31, 2020 financial statements and the statements of activities, cash flows and functional expenses for the year ended August 31, 2021 of the matter discussed in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Homefront, Inc. as of August 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Unmodified Opinion on August 31, 2021 Statement of Financial Position and Qualified Opinion on August 31, 2021 Results of Operations and August 31, 2020 Financial Statements

We did not observe the physical inventory (stated at \$319,663) taken as of August 31, 2020, since that date was prior to our initial engagement as auditors for the Organization, and the Organization's records do not permit adequate retroactive tests of inventory quantities.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Homefront, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinion on August 31, 2021 statement of financial position and qualified audit opinion on the August 31, 2020 financial statements and the statements of activities, functional expenses, and cash flows for the year ended August 31, 2021.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Homefront, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Homefront, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Knight Rolleri Sheppard CPAS, LLP

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

Homefront, Inc.
Statements of Financial Position
August 31, 2021 and 2020

ASSETS

	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 239,164	\$ 280,293
Building materials and supplies	384,366	319,663
Promises to give	12,817	655
Prepaid assets	8,339	6,726
Total current assets	644,686	607,337
Property and Equipment:		
Office equipment	22,415	22,415
Vehicles	22,963	22,963
Other fixed assets	9,027	9,027
Total property and equipment	54,405	54,405
Less: accumulated depreciation	(40,627)	(36,034)
Net property and equipment	13,778	18,371
Total assets	\$ 658,464	\$ 625,708

LIABILITIES AND NET ASSETS

Current Liabilities:		
Short-term portion of debt	\$ 5,780	\$ 54,180
Accounts payable	5,966	8,449
Accrued expenses	47,250	35,500
Employee benefit withholding	182	1,320
Total current liabilities	59,178	99,449
Long-term Liabilities:		
Long-term debt	149,816	149,816
Total liabilities	208,994	249,265
Net Assets:		
Without donor restrictions		
Undesignated for mission purposes	435,692	358,072
Property and equipment	13,778	18,371
Total net assets	449,470	376,443
Total liabilities and net assets	\$ 658,464	\$ 625,708

See report of independent auditor and notes to financial statements.

Homefront, Inc.
Statements of Activities
For the Years Ended August 31, 2021 and 2020

	2021	2020
Revenue, Gains and Support:		
Donations	\$ 431,283	\$ 511,603
Donated services	108,452	98,178
Donated materials	167,862	57,297
Other income	2,500	3,918
Forgiveness of debt under Federal loan program	116,633	-
Total revenue, gains and support	826,730	670,996
 Expenses and Losses		
Program services	568,210	477,695
Fundraising	54,780	43,997
Management and general	130,712	120,783
Total expenses and losses	753,703	642,475
 Change in Net Assets	73,027	28,521
 Net Assets, Beginning of Year	376,443	347,922
 Net Assets, End of Year	\$ 449,470	\$ 376,443

See report of independent auditor and notes to financial statements.

Homefront, Inc.
Statements of Cash Flows
For the Years Ended August 31, 2021 and 2020

	2021	2020
Cash flows used by operating activities:		
Change in net assets	\$ 73,027	\$ 28,521
Adjustments to reconcile change in net assets to cash provided (used) for operating activities:		
Depreciation	4,592	4,592
Forgiveness of debt under Federal loan programs	(116,633)	-
Increase in promises to give	(12,162)	(655)
Decrease in building materials and supplies	(64,703)	16,445
Increase in prepaid assets	(1,613)	-
Increase (decrease) in accounts payable	(2,483)	2,000
Increase (decrease) in employee benefit withholding	(1,138)	1,320
Increase in accrued expenses	11,750	8,800
Net cash provided (used) by operating activities	(109,363)	61,023
Cash flows provided (used) by investing activities:		
Purchase of fixed assets	-	(22,963)
Net cash used by investing activities	-	(22,963)
Cash flows provided (used) by financing activities:		
Proceeds from Federal loan program (PPP)	53,316	53,316
Proceeds from EIDL advances, including deferred interest	14,918	150,680
Net cash provided by financing activities	68,234	203,996
Net increase (decrease) in cash and cash equivalents	(41,129)	242,056
Beginning cash and cash equivalents	280,293	38,238
Ending cash and cash equivalents	\$ 239,164	\$ 280,293

See report of independent auditor and notes to financial statements.

Homefront, Inc.
Statements of Functional Expenses
For the Years Ended August 31, 2021 and 2020

	For the Year Ended August 31, 2021			
	Program	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 183,059	\$ 27,986	\$ 88,760	\$ 299,806
Buidling materials	172,309	-	-	172,309
Building services	108,738	-	-	108,738
Occupancy	38,501	2,324	5,544	46,369
Employee benefits	18,319	2,801	8,882	30,001
Professional fees	399	17,312	6,663	24,373
Insurance	17,885	1,724	4,114	23,724
Payroll taxes	13,751	2,102	6,667	22,521
Advertising and promotion	-	-	8,720	8,720
Travel	6,377	119	377	6,872
Interest	3,706	357	853	4,916
Depreciation	4,592	-	-	4,592
Office supplies	574	55	132	762
 Total expenses	\$ 568,210	\$ 54,780	\$ 130,712	\$ 753,703

	For the Year Ended August 31, 2020			
	Program	Supporting Services		Total
		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	4,043
Interest	506	47	128	681
 Total expenses	\$ 477,695	\$ 43,997	\$ 120,783	\$ 642,475

See report of independent auditor and notes to financial statements.

Homefront, Inc.
Notes to Financial Statements
August 31, 2021
(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, 2021 the Organization maintains no donor restricted assets.

In June 2018, the FASB issued FASB ASU 2018-08: *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The Organization adopted this guidance as of September 1, 2020, prospectively. Under this approach, prior financial statements are not restated, and a cumulative effect adjustment is not recognized upon adoption. The impact of the adoption was

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immaterial.

Revenue and Revenue Recognition

In May 2014, the FASB issued FASB ASU 2014-09: *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue. This guidance includes the required steps to achieve the core principle that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this standard had an immaterial effect on the financial statements.

The Organization recognizes revenues from volunteer donations when the performance obligations of transferring the services are met. Volunteers will donate their time to provide home-based repair services for the needy. A donation is accompanied with the volunteer effort to help in covering some for the costs associated with the repair. Once the repairs are substantially complete, which is typically done in a single day, the revenue from the donation is recognized.

At August 31, 2021, all volunteer efforts have been completed and there are no contract balances.

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.

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, 2021 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.

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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 \$384,366 and \$319,663 as of August 31, 2021 and 2020, 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.

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.

Recent Accounting Guidance

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date has been delayed to annual reporting periods beginning after December 15, 2021.

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Notes to Financial Statements
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(See Report of Independent Auditor)

NOTE 3 - 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	\$ 239,164
	\$ 239,164

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 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Office equipment	\$ 22,415	\$ 22,415
Vehicles	22,963	22,963
Other fixed assets	9,027	9,027
Total property and equipment	54,405	54,405
Less: accumulated depreciation	(40,627)	(36,034)
Net property and equipment	\$ 13,778	\$ 18,371

NOTE 5 – LEASE COMMITMENTS

The Organization has month to month rental agreements with all its properties. Rent expense for the years ended August 31, 2021 and 2020, was \$30,000 for their administrative offices and \$14,400 for their warehouse and temporary storage.

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Subsequent to the end of the year Homefront, Inc. executed a five-year lease for warehouse space. Lease commitments for the next five years are as follows:

Year	
2022	\$ 38,400
2023	39,168
2024	39,948
2025	40,752
2026	41,568
Thereafter	-
	<u>\$ 199,836</u>

NOTE 6 – LONG-TERM DEBT

The Organization has the following debt arrangements:

EIDL Loan		
	Principal	150,000
	Balance at August 31, 2021	155,596
	Interest	2.75%
	Maturity	5/15/2051
	Other terms:	
	a) Security has been waived by the SBA under this program	
	b) Interest has been deferred by the SBA and has been added to the loan balance	

Homefront, Inc.
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(See Report of Independent Auditor)

Principal payments over the next five years are as follows:

	<u>Amount</u>
2022	\$ 3,513
2023	3,611
2024	3,711
2025	3,815
2026	3,921
Thereafter	<u>137,025</u>
	<u>\$ 155,596</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, 2021 and 2020.

NOTE 8 - CONCENTRATION OF RISK

The Organization top five donors have contributed 53% of contribution revenues for the year ended August 31, 2021.

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, 2021 and 2020. The Organization records the value of these skilled services using published rates for volunteers. The total recorded services for the years ended August 31, 2021 and 2020 is \$108,452 and \$98,178, 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

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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, 2021.

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, along with two additional \$5,000 forgivable advances. In addition, the Organization received two loans under the Paycheck Protection Program, both of which have been forgiven pursuant to the 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.

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, 2021 through December 7, 2021, which is the date the financial statements were available to be issued and management has determined that there are no events requiring disclosure.

The Organization executed a new lease for warehouse space subsequent to the end of the year. The lease is for five years commencing on September 1, 2021. The lease terms are \$3,200 per month escalating to \$3,464 in year five.