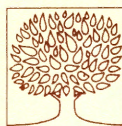


HOMEFRONT, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
AUGUST 31, 2022



For personal and corporate growth

Fiorita, Kornhaas & Company, P.C.
Certified Public Accountants

HOMEFRONT, INC.

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Fiorita Kornhaas & Company, PC

Certified Public Accountants and Advisors

For personal and corporate growth

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of HomeFront, Inc.

Qualified Opinion

We have audited the accompanying financial statements of HomeFront, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of HomeFront, Inc. as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We did not observe the taking of the physical inventory on August 31, 2022 (stated \$314,420), since that date was prior to the time we were initially engaged as auditors for the Organization. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HomeFront, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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 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.

Fiorita, Kornhaas & Company, PC

Fiorita, Kornhaas & Company, P.C.
Certified Public Accountants

Danbury, CT
July 12, 2023



HOMEFRONT, INC.

Statement of Financial Position

As of August 31, 2022

Assets	<u>2022</u>
Current assets	
Cash and cash equivalents	\$ 85,861
Promises to give	44,814
Building materials and supplies inventory	314,420
Prepaid expenses	<u>6,661</u>
Total current assets	451,756
Equipment and vehicles, net	9,187
Security deposit	<u>3,500</u>
Total assets	<u>\$ 464,443</u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expense	\$ 49,575
Current portion of long-term debt	<u>1,819</u>
Total current liabilities	51,394
Long-term debt	<u>152,814</u>
Total liabilities	204,208
Net assets:	
Net assets without donor restrictions	206,735
Net assets with donor restrictions	<u>53,500</u>
Total net assets	<u>260,235</u>
Total liabilities and net assets	<u>\$ 464,443</u>

See independent auditor's report and accompanying notes.

HOMEFRONT, INC.

Statement of Activities

For the Year Ended August 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Totals</u>
Revenues			
Contributions and grants			
Cash and other financial assets	\$ 426,639	\$ 53,500	\$ 480,139
In-kind donations	328,782	-	328,782
Other income	1,396	-	1,396
Total revenues	<u>756,817</u>	<u>53,500</u>	<u>810,317</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released	756,817	53,500	810,317
Expenses			
Program services	839,873	-	839,873
Management and general	47,681	-	47,681
Fundraising services	111,998	-	111,998
Total expenses	<u>999,552</u>	<u>-</u>	<u>999,552</u>
(Decrease) increase in net assets	(242,735)	53,500	(189,235)
Net assets, beginning of year	<u>449,470</u>	<u>-</u>	<u>449,470</u>
Net assets, end of year	<u>\$ 206,735</u>	<u>\$ 53,500</u>	<u>\$ 260,235</u>

See independent auditor's report and accompanying notes.

HOMEFRONT, INC.

Statement of Functional Expense

For the Year Ended August 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Totals</u>
Expenses				
Salaries, benefits and taxes	\$ 234,000	\$ 34,925	\$ 80,329	\$ 349,254
Advertising	-	-	12,580	12,580
Construction services	270,377	-	-	270,377
Depreciation	4,592	-	-	4,592
Home renovation costs	238,146	-	-	238,146
Insurance	21,218	1,980	5,092	28,290
Occupancy	61,241	2,100	5,400	68,741
Office expenses	3,066	287	733	4,086
Professional fees	865	8,288	7,605	16,758
Travel	6,368	101	259	6,728
Total expenses	<u>\$ 839,873</u>	<u>\$ 47,681</u>	<u>\$ 111,998</u>	<u>\$ 999,552</u>

See independent auditor's report and accompanying notes.

HOMEFRONT, INC.

Statement of Cash Flow

For the Year Ended August 31, 2022

	<u>2022</u>
Cash flows from operating activities	
Change in net assets	\$ (189,235)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	4,592
Changes in:	
Promises to give	(31,997)
Building materials and supplies inventory	69,946
Prepaid expenses	1,676
Security deposit	(3,500)
Accounts payable and accrued expense	(4,785)
Net cash used in operating activities	<u>(153,303)</u>
Net decrease in cash and cash equivalents	(153,303)
Cash and cash equivalents, beginning of year	<u>239,164</u>
Cash and cash equivalents, end of year	<u>\$ 85,861</u>

Supplemental disclosure of cash flow information:

Interest paid

2022
\$ -

See independent auditor's report and accompanying notes.

Note 1: NATURE OF ACTIVITIES

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

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America and, accordingly, recognizes revenue when earned and expenses when incurred and reflects all significant receivables, payables and other liabilities.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) which requires reporting of information regarding financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the board of directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions.

When a restriction expires, the net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See independent auditor's report.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition

Revenue from contributions is recognized when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they deemed have been substantially met.

Revenue from other income is recognized when the performance obligations of transferring the products and providing the services are met.

Cash and Cash Equivalents

For purposes of the statement of cash flow, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization maintains deposits in federally insured institutions which, at times, can be in excess of the federally insured limits. Management, however, believes the Organization is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits were held.

Building Materials and Supplies Inventory

Building materials and supplies inventory is recorded at cost if purchased or wholesale value, if donated. The Organization uses published industry information to value donated inventory. Building materials and supplies inventory is reported net of an estimated reserve for slow-moving and obsolete inventory of approximated 50% of the ending balance. The reserve for slow-moving and obsolete inventory is \$314,420 as of August 31, 2022.

Equipment and Vehicles, Net

Equipment and vehicles are recorded at cost if purchased or fair value if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets which range from 5 to 7 years.

The Organization's policy is to capitalize equipment and vehicles acquired for greater than \$1,000 and expense normal repairs and maintenance as incurred.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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 statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded as fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributed Services

The Organization receives a substantial amount of services donated by volunteers. Only contributed services that create or enhance non-financial assets or require specialized skills that would otherwise be purchased by the Organization are recognized as revenue on the financial statements.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense for the year ended August 31, 2022 was \$12,580.

Tax Exempt Status

The Organization is currently exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes is presented in these financial statements. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

See independent auditor's report.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis and may be updated as necessary.

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, benefits and taxes	Estimated time and effort.
Other expenses including insurance, occupancy costs and office expenses	75% to program services, 7% to management and general, and 18% to fundraising.

Subsequent Events

The Organization has evaluated subsequent events through July 12, 2023, the date which the financial statements were available to be issued. Through that date, there were no material events that would require recognition or additional disclosure in the financial statements.

Note 3: AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at August 31, 2022:

	<u>2022</u>	
Cash and cash equivalents	\$	85,861
Less amounts not available to be used for general expenditures:		
Net assets with donor restrictions		53,500
Financial assets available to meet general expenditures over the next twelve months	\$	32,361

The Organization's goal is generally to maintain liquid financial assets to meet at least one month of operating expense. The Organization prepares an annual budget which is presented to the board of directors for approval.

See independent auditor's report.

HOMEFRONT, INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

Note 4: EQUIPMENT AND VEHICLES, NET

Equipment and vehicles consists of the following at August 31, 2022:

	<u>2022</u>
Office equipment	\$ 31,442
Vehicles	22,963
	<u>54,405</u>
Less: accumulated depreciation	(45,218)
	<u>\$ 9,187</u>

Depreciation expense of \$4,592 is recorded for the year ended August 31, 2022.

Note 5: LONG-TERM DEBT

Long-term debt consists of the following as of August 31, 2022:

	<u>2022</u>
<u>EIDL Loan</u>	\$ 154,633
Small Business Administration loan. Original borrowing \$150,000. Accrued interest of \$4,633 added to principal during payment deferral period. Interest rate is 2.75%. Monthly payment of \$641, including principal and interest, start December 2022. 30 year loan matures December 2052.	
Current portion	1,819
Long-term portion	<u>\$ 152,814</u>

Maturities of long-term debt for the next five years and in the aggregate are as follows:

2023	\$ 1,819
2024	3,534
2025	3,632
2026	3,734
2027	3,838
Thereafter	<u>138,076</u>
<u>Total</u>	<u>\$ 154,633</u>

Note 6: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions for the year ended August 31, 2022:

	<u>2022</u>
Undesignated	\$ 206,735
	<u>\$ 206,735</u>

See independent auditor's report.

HOMEFRONT, INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

Note 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the year ended August 31, 2022:

	<u>2022</u>
<u>To be released for specific purpose</u>	
Home repairs for veterans and/or elderly	\$ 36,000
Home repairs in certain locations	17,500
	<u>\$ 53,500</u>

Note 8: IN-KIND CONTRIBUTIONS

The Organization recognized the following in-kind contributions for the years ended August 31,:

	<u>2022</u>
Donated services	\$ 263,558
Donated building materials and supplies	52,724
Donated gift card for materials	12,500
	<u>\$ 328,782</u>

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 estimates the number of volunteer hours based on the number of volunteers for each home project. For the year ended August 31, 2022, the Organization estimated volunteer hours to be 8,288. The total hours are recorded as donated services using \$31.80 per hour, the hourly volunteer rate as published by independentsector.org. Donated services are included in construction services on the statement of functional expense.

Donated Building Materials and Supplies

The Organization periodically receives donated building materials and supplies from vendors and individuals. The materials and supplies are brought into inventory at the time of donation at wholesale values estimated by the Organization using published industry information. The value of donated building materials and supplies has been included in home renovation costs on the statement of functional expense.

Donated Gift Card for Materials

Through a grant from the Home Depot, the Organization received gift cards valued at \$12,500 to be used to purchase materials for home renovation projects for the benefit of veterans. The value of the donated gift cards for materials has been included in home renovation costs on the statement of functional expense.

See independent auditor's report.

HOMEFRONT, INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

Note 9: EMPLOYEE BENEFIT PLAN

The Organization is the sponsor of a qualified defined contribution plan that covers substantially all full-time employees. The Organization provided for contributions of \$2,523 for the year ended August 31, 2022.

Note 10: LEASE COMMITMENTS

The Organization leases office space and warehouse space. Office space for administrative offices is rented on a month to month basis for \$2,500 per month. Warehouse space is rented under a five year lease expiring August 31, 2026 that either party may terminate with six months notice. Monthly rental payments were \$3,200 and increase each September by 2%. Rent expense for the year ended August 31, 2022 was \$68,400.

See independent auditor's report.