

NICHOLAS HOUSE, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NICHOLAS HOUSE, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	3-4
FINANCIAL STATEMENTS:	
Statements of Financial Position	5
Statements of Activities	6-7
Statements of Functional Expenses	8-9
Statements of Cash Flows	10
Summary of Accounting Policies	11-15
Notes to Financial Statements	16-20
SCHEDULE OF STATE OF GEORGIA CONTRACTS	21
SCHEDULE OF FEDERAL EXPENDITURES	22
REPORT ON INTERNAL CONTROL OVER FINANCIAL Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	23-24
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	25-26
SCHEDULE OF FINDINGS	27
CORRECTIVE ACTION PLAN	28



BLAD & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nicholas House, Inc.
Atlanta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Nicholas House, 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 our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Nicholas House, Inc. as of August 31, 2020 and 2019, 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of State of Georgia Contracts, as required by the state of Georgia, is presented for purposes of additional analysis and is also not a required part of the financial statements. The accompanying Schedule of Federal Expenditures, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2021, on our consideration of Nicholas House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nicholas House, Inc.'s internal control over financial reporting and compliance.

Blad & Associates, P.C.

Dunwoody, Georgia
June 11, 2021

NICHOLAS HOUSE, INC.
Statements of Financial Position

	As of August 31,	
	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 863,992	\$ 225,536
Grants receivable	604,392	402,894
Contributions receivable	7,500	27,500
Promises to give, net (Note 2)	127,129	95,311
Other receivables	741	393
Prepaid expenses and other assets	54,642	20,247
Total Current Assets	1,658,396	771,881
CASH RESTRICTED FOR PROPERTY AND EQUIPMENT (Note 6)	70,536	70,536
LONG-TERM PROMISES TO GIVE, NET (Note 2)	127,713	109,905
PROPERTY AND EQUIPMENT, less accumulated depreciation of \$552,377 and \$521,384, respectively (Note 3)	150,710	173,886
TOTAL ASSETS	\$ 2,007,355	\$ 1,126,208
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 64,269	\$ 63,206
Paycheck Protection Program loan (Note 1)	55,000	-
Escrow accounts	4,725	4,725
Deferred revenue	657,673	-
Line of credit (Note 8)	75,000	75,000
Current maturities of notes payable (Note 8)	2,174	8,809
Total Current Liabilities	858,841	151,740
NOTES PAYABLE, less current maturities (Note 8)	-	2,177
TOTAL LIABILITIES	858,841	153,917
NET ASSETS:		
Without donor restrictions	773,599	541,981
With donor restrictions (Note 6):		
Purpose restricted	141,003	75,586
Time restricted	233,412	354,224
Perpetual in nature	500	500
Total Net Assets	1,148,514	972,291
TOTAL LIABILITIES AND NET ASSETS	\$ 2,007,355	\$ 1,126,208

See accompanying summary of accounting policies and notes to financial statements.

NICHOLAS HOUSE, INC.
Statement of Activities
For the Year Ended August 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
PUBLIC SUPPORT AND REVENUE:			
Grants and contracts	\$ 1,191,443	\$ -	\$ 1,191,443
Contributions	765,194	196,636	961,830
Contributed rent	80,000	-	80,000
Contributed materials and services	262,960	-	262,960
Fundraising	232,333	-	232,333
Other income	25,698	-	25,698
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue before Transfers	2,557,628	196,636	2,754,264
Net Assets Released from Restrictions due to Satisfaction of Donor-imposed Requirements	<hr/>	<hr/>	<hr/>
	252,031	(252,031)	-
Total Public Support and Revenue	<hr/>	<hr/>	<hr/>
	2,809,659	(55,395)	2,754,264
EXPENSES:			
Program	2,107,863	-	2,107,863
Management and general	113,716	-	113,716
Fundraising	356,462	-	356,462
	<hr/>	<hr/>	<hr/>
Total Expenses	2,578,041	-	2,578,041
CHANGES IN NET ASSETS	231,618	(55,395)	176,223
NET ASSETS:			
Beginning of year	<hr/>	<hr/>	<hr/>
	541,981	430,310	972,291
End of year	<hr/>	<hr/>	<hr/>
	\$ 773,599	\$ 374,915	\$ 1,148,514

See accompanying summary of accounting policies and notes to financial statements.

NICHOLAS HOUSE, INC.
Statement of Activities
For the Year Ended August 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
PUBLIC SUPPORT AND REVENUE:			
Grants and contracts	\$ 1,002,998	\$ -	\$ 1,002,998
Contributions	704,733	399,420	1,104,153
Contributed rent	80,000	-	80,000
Contributed materials and services	216,541	-	216,541
Fundraising	40,259	-	40,259
Other Income	7,101	-	7,101
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue before Transfers	2,051,632	399,420	2,451,052
Net Assets Released from Restrictions due to Satisfaction of Donor-imposed Requirements	<hr/> 252,758	<hr/> (252,758)	<hr/> -
Total Public Support and Revenue	<hr/> 2,304,390	<hr/> 146,662	<hr/> 2,451,052
EXPENSES:			
Program	1,848,935	-	1,848,935
Management and general	90,921	-	90,921
Fundraising	337,984	-	337,984
	<hr/>	<hr/>	<hr/>
Total Expenses	<hr/> 2,277,840	<hr/> -	<hr/> 2,277,840
CHANGES IN NET ASSETS	26,550	146,662	173,212
NET ASSETS:			
Beginning of year	<hr/> 515,431	<hr/> 283,648	<hr/> 799,079
End of year	<hr/> <u>\$ 541,981</u>	<hr/> <u>\$ 430,310</u>	<hr/> <u>\$ 972,291</u>

See accompanying summary of accounting policies and notes to financial statements.

NICHOLAS HOUSE, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 615,610	\$ 25,365	\$ 140,665	\$ 781,640
Outside services	130,207	31,366	140,828	302,401
Office	13,564	486	2,145	16,195
Occupancy	90,164	8,377	12,566	111,107
Travel	7,117	1,657	1,327	10,101
Insurance	42,539	1,753	9,720	54,012
Supplies	16,735	-	-	16,735
Telecommunications	14,101	1,880	2,820	18,801
Postage and printing	4,016	7,792	23,133	34,941
Client assistance	788,528	83	93	788,704
Depreciation	32,656	1,346	7,462	41,464
Bad debt	26,345	-	-	26,345
Contributed rent	60,000	8,000	12,000	80,000
Contributed materials and services	262,960	-	-	262,960
Other	3,321	25,611	3,703	32,635
	<u>\$ 2,107,863</u>	<u>\$ 113,716</u>	<u>\$ 356,462</u>	<u>\$ 2,578,041</u>
Total Expenses	<u>\$ 2,107,863</u>	<u>\$ 113,716</u>	<u>\$ 356,462</u>	<u>\$ 2,578,041</u>

See accompanying summary of accounting policies and notes to financial statements.

NICHOLAS HOUSE, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 573,289	\$ 32,405	\$ 134,864	\$ 740,558
Outside services	97,092	21,715	110,086	228,893
Office	12,842	398	2,140	15,380
Occupancy	86,125	8,013	12,019	106,157
Travel	16,594	2,027	3,902	22,523
Insurance	46,958	2,654	11,047	60,659
Supplies	14,494	-	-	14,494
Telecommunications	10,839	1,445	2,168	14,452
Postage and printing	12,437	1,501	29,823	43,761
Client assistance	602,754	-	3,487	606,241
Depreciation	35,284	1,994	8,300	45,578
Bad debt	57,977	-	-	57,977
Contributed rent	60,000	8,000	12,000	80,000
Contributed materials and services	216,541	-	-	216,541
Other	5,709	10,769	8,148	24,626
	<u>\$ 1,848,935</u>	<u>\$ 90,921</u>	<u>\$ 337,984</u>	<u>\$ 2,277,840</u>
Total Expenses				

See accompanying summary of accounting policies and notes to financial statements.

NICHOLAS HOUSE, INC.
Statement of Cash Flows

	For the Years Ended August 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 176,223	\$ 173,212
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	41,464	45,578
Bad debt expense	26,345	57,977
(Increase) decrease in grants receivable	(201,498)	(61,620)
(Increase) decrease in contributions receivable	20,000	(1,250)
(Increase) decrease in promises to give	(75,971)	(161,477)
(Increase) decrease in other receivables	(348)	796
(Increase) decrease in prepaid expenses	(34,395)	4,619
Increase (decrease) in accounts payable and accrued expenses	1,063	2,274
Increase (decrease) in deferred revenue	657,673	-
	610,556	60,109
Net Cash Provided by (Used in) Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(18,288)	(27,450)
	(18,288)	(27,450)
Net Cash Provided by (Used in) Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable and line of credit	75,000	75,000
Repayment on notes payable and line of credit	(83,812)	(8,451)
Paycheck Protection Program proceeds	55,000	-
	46,188	66,549
Net Cash Provided by (Used in) Financing Activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	638,456	99,208
CASH AND CASH EQUIVALENTS:		
Beginning of year	225,536	126,328
End of year	\$ 863,992	\$ 225,536
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 3,753	\$ 653
Cash Reconciliation:		
Cash and cash equivalents	\$ 793,456	\$ 155,000
Assets restricted for long-term use: cash	70,536	70,536
	\$ 863,992	\$ 225,536

See accompanying summary of accounting policies and notes to financial statements.

NICHOLAS HOUSE, INC.

SUMMARY OF ACCOUNTING POLICIES

ORGANIZATION

Nicholas House, Inc., (the “Organization”), provides transitional housing for homeless families in Atlanta, Georgia. Families stay in one facility (Boulevard) operated by the Organization and in various apartments owned and managed by independent landlords. Residents are provided with meals, counseling, and other services designed to assist them in obtaining permanent housing, employment, and financial self-sufficiency. The Organization is supported primarily through donor contributions, federal and state grants, and the United Way.

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The net assets, revenue, support, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions into two classes:

Net assets without donor restrictions are currently available for purposes under the direction of the board, designated by the board for specific use, or resources invested in furniture and equipment.

Net assets with donor restrictions are contributed with donor stipulations for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates. Significant estimates include the allowance for uncollectible promises and the functional allocation of expenses.

INCOME TAXES

The Organization is exempt from income taxes under section 501(c) (3) of the Internal Revenue Code. Accordingly, no income taxes are reflected in the accompanying financial statements. The Organization has been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. As of August 31, 2020 and 2019, there are no known items which would result in a material accrual related to where the Organization has federal or state attributable tax positions. Generally, taxing authorities have until the later of three years from the filing date or due date of the filing to examine a return.

NICHOLAS HOUSE, INC.
SUMMARY OF ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all highly liquid temporary investments with a maturity of three months or less. The Organization maintains its cash and cash equivalents with high credit, quality financial institutions, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

GRANTS RECEIVABLE

Grants receivables represent amounts due from granting agencies for expenditures of federal, state and local government awards, which have not yet been paid.

PROMISES TO GIVE

Unconditional promises to give are presented at their present value. Promises to give expected to be received more than one year in the future are discounted to their present value using a risk free interest rate corresponding to the due date of the pledge. At August 31, 2020 and 2019, no discount was considered necessary due to overall immateriality.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from promises to give, grants, contracts, etc. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivables. The allowance for doubtful accounts at August 31, 2020 and 2019, is \$132,860 and \$120,542, respectively.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, or if donated, at estimated fair value at the date of donation. Any donations of property and equipment are also recorded as support in the statement of activities at their estimated fair value. Depreciation is computed over the estimated useful lives (3-10 years) of the assets using the straight-line method.

Property and equipment acquired by the Organization is considered owned by the Organization. However, the State of Georgia funding sources may maintain equitable interest in the assets purchased with contract monies as well as the right to determine the use of any proceeds for the sale of these assets.

NICHOLAS HOUSE, INC.
SUMMARY OF ACCOUNTING POLICIES

PROPERTY AND EQUIPMENT, continued

Acquisitions of property and equipment or repairs, maintenance or betterments that materially prolong useful lives of assets are capitalized. The Organization capitalizes all expenses in excess of \$1,500 for property and equipment.

PUBLIC SUPPORT AND REVENUE RECOGNITION

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as reclassifications. Pledges to give payments in future years are recorded as support in the year the pledge is made. The fair value of promises to give that are due in more than one year is estimated by discounting the future cash flows using current risk-free rates of return based on U.S. Treasury Securities yields with maturity dates similar to the expected collection period.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the long-lived assets are placed into service.

Effective September 1, 2019, the Organization recognizes revenue from contracts in accordance with Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the five-step approach. Revenues are recognized at a point in time.

EXPENSE RECOGNITION

All expenses are recognized in the statement of activities as decreases in net assets without donor restrictions. The Organization allocates its expenses on a functional basis among their various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Indirect expenses have been allocated based on salary expenditures and other criteria.

NICHOLAS HOUSE, INC.

SUMMARY OF ACCOUNTING POLICIES

CONTRIBUTED MATERIALS AND SERVICES

Many individuals volunteer time and perform a variety of tasks that assist the Organization with various administrative and program tasks. For the years ended August 31, 2020 and 2019, these financial statements include donated services totaling \$10,625 and \$27,440 and donated materials totaling \$252,335 and \$189,101, respectively. Donated services consist primarily of educational and technology services. The financial statements include donated office space totaling annually \$80,000 for both 2020 and 2019.

Many individuals volunteer time and perform a variety of tasks that assist the Organization with various administrative and fundraising tasks. The value of these services has not been reflected in the financial statements since they do not meet the criteria for recognition under GAAP.

CONCENTRATIONS

During the year ended August 31, 2020, the Organization received approximately 25% of its revenue combined from the City of Atlanta and U.S. Dept. of HUD sources and related outstanding receivables were 48% of total receivables. During the year ended August 31, 2019, the Organization received approximately 26% of its revenue from two sources and related outstanding receivables were 41% of total receivables.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, which is the date the financial statements were available to be issued.

RECENTLY ADOPTED ACCOUNTING POLICIES

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The Organization adopted the provisions of this new standard during the year ended August 31, 2020. Under the new standard, restricted cash is included with cash and cash equivalents in the statements of cash flows.

In May 2014, the FASB issued a new accounting standard, ASU 2014-09 (Topic 606), which impacts revenue recognition for exchange transactions. The Organization adopted the provisions of this new standard during the year ended August 31, 2020. The provisions of the new standard did not have a material impact on the financial statements of the Organization.

In June 2018, the FASB issued a new accounting standard, ASU 2018-08 (Topic 958), to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The Organization adopted the provisions of this new standard during the year ended August 31, 2020. The provisions of the new standard did not have a material impact on the financial statements of the Organization.

NICHOLAS HOUSE, INC.
SUMMARY OF ACCOUNTING POLICIES

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting standard, ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for fiscal years beginning after December 15, 2021. It is to be adopted using a modified retrospective approach or through a cumulative effect adjustment to the opening balance of net assets in the period of adoption. Management is evaluating the impact on the financial statements upon adoption of this new standard.

NICHOLAS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ECONOMIC UNCERTAINTY DUE TO COVID-19 PANDEMIC AND PPP LOAN

During the year of August 31, 2020, the United States economy was negatively impacted as a result of the COVID-19 pandemic. As the pandemic continues, the Organization continues to evaluate the financial and organizational impact of the economic uncertainty.

On May 13, 2020, the Organization obtained a \$55,000 loan under the Small Business Administration’s Paycheck Protection Program (PPP). Under the terms of the loan agreement, the Organization will make equal monthly payments plus 1% interest beginning in December 2020 with a maturity date of May 2022. If certain conditions are met under the program’s loan use guidelines, the loan can be forgiven. Management represents that during the year end August 31, 2021, the Organization intends to comply with these guidelines and fully expects the entire amount to be forgiven.

Based on non-authoritative technical practice aids and current industry discussions, not-for-profit entities have the option to account for PPP loans under either the debt or grant model. The Organization has chosen to follow the debt model, which records the PPP loan as a financial liability until the SBA has approved the forgiveness. At that point in time, the Organization will recognize income to the extent of the forgiveness.

NOTE 2 – PROMISES TO GIVE

A summary of promises to give is as follows as of August 31:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 217,852	\$ 179,018
Receivable in one to five years	<u>169,850</u>	<u>146,740</u>
Total unconditional promises to give	387,702	325,758
Less: allowance for uncollectible promises	<u>(132,860)</u>	<u>(120,542)</u>
Net unconditional promises to give	<u>\$ 254,842</u>	<u>\$ 205,216</u>
Recap:		
Current receivable, net of allowance	\$ 127,129	\$ 95,311
Long-term receivable, net of allowance	<u>127,713</u>	<u>109,905</u>
Net unconditional promises to give	<u>\$ 254,842</u>	<u>\$ 205,216</u>

NICHOLAS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows as of August 31:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 436,484	\$ 436,484
Vehicles	90,870	90,870
Furniture and equipment	<u>175,733</u>	<u>167,916</u>
	703,087	695,270
Less: accumulated depreciation	<u>(552,377)</u>	<u>(521,384)</u>
	<u>\$ 150,710</u>	<u>\$ 173,886</u>

NOTE 4 – CONTINGENCY

The Organization depends heavily on grants and contributions to support ongoing operations. To the extent economic conditions negatively impact future contribution levels, the Organization's ability to continue at its current level of activity could be substantially impacted.

The City of Atlanta and its office of Grants and Community Development is operating under "special stipulations" by The U.S. Dept. of Housing and Urban Development (i.e. HUD) and has reorganized its grant reimbursement processes and requirements. As a result, the reimbursement process for the City of Atlanta is delayed under most HUD funded contracts. As of August 31, 2020, receivables include a total of \$391,689 owed from the City of Atlanta under multiple HUD funded contracts. As of report date, primarily all of this amount is still owed to the Organization. The Organization's management represents these delays are a long-term issue with the City of Atlanta and payment is expected in full.

Contracts and contributions often require the fulfillment of certain conditions as set forth in the terms of the related instrument. Failure to fulfill the conditions could result in the return of the funds to the grantor. Management represents that the Organization has complied with any such conditions related to revenue recognized. Although the return of funds is a possibility, management deems the contingency unlikely.

NICHOLAS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – COMMITMENTS

The Organization leases office space under an operating lease agreement through 2023. During the years ended August 31, 2020 and 2019, the expense under these operating leases totaled approximately \$27,000 and \$39,000, respectively. Future minimum lease payment under the lease are as follows:

<u>Year Ending August 31,</u>	
2021	\$ 4,872
2022	4,872
2023	<u>2,436</u>
	<u>\$ 12,180</u>

The Organization also pays for transitional living spaces on behalf of its clients. These transitional living spaces are contractually between the Organization’s client and the landlord. However, these are one-year lease agreements and are excluded from the schedule above.

NOTE 6 – RESTRICTED NET ASSETS

As of August 31, 2020 and 2019, net assets with donor restrictions for specific purposes, included in cash and receivables, consisted of the following donor designated contributions:

	<u>2020</u>	<u>2019</u>
Building purchase	\$ 70,536	\$ 70,536
Case Management	54,917	-
Food & Medicine	10,000	-
Timing restrictions	233,412	354,224
Capital Campaign	5,050	5,050
Other	<u>500</u>	<u>-</u>
	<u>\$ 374,415</u>	<u>\$ 429,810</u>

At August 31, 2020 and 2019, \$145,022 and \$190,316, respectively, of these net assets were included in cash. The remaining \$229,393 and \$239,494, respectively, were included in receivables.

Net assets with donor restrictions in perpetuity, at August 31, 2020 and 2019, were \$500 and consist of endowment funds for which the income is unrestricted.

NICHOLAS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PENSION PLAN

Staff members of the Organization who are full time employees and have at least one year of service are allowed to participate in a contributory retirement plan sponsored by the Teacher’s Insurance and Annuity Association College Retirement Equities Fund (TIAA/CREF). This plan provides no past service benefits or further liabilities beyond the contributions made for each employee. Each year the Organization contributes a 50% match of each participant’s contribution up to six percent of the participant’s annual wages. This plan was established as of July 1, 2002. For the years ended August 31, 2020 and 2019, the Organization made contributions to the plan totaling \$600 and \$600, respectively.

NOTE 8 – DEBT

The Organization has a \$100,000 line of credit with a bank. The line of credit is collateralized primarily by inventory (if any), equipment and receivables and matures on October 27, 2020. Subsequent to year end, the Organization signed an extension on the same line of credit with revised maturity date of July 27, 2021. Under the terms of the agreement, interest is payable monthly at the bank’s prime rate with the principal payable in full at maturity. As of August 31, 2020 and August 31, 2019, the outstanding balance totaled \$75,000 for both years.

The Organization’s notes payable consists of the following as of August 31:

	<u>2020</u>	<u>2019</u>
4.19% note payable to a bank in monthly installments of \$758 including interest through November 2020, secured by a vehicle, with a net book value of \$21,408 at August 31, 2020.	\$ 2,174	\$ 10,986
Less current portion of notes payable	<u>(2,174)</u>	<u>(8,809)</u>
Long-term portion	<u>\$ -</u>	<u>\$ 2,177</u>

As of August 31, 2020, aggregate future maturities of principal under the notes payable are as follows:

<u>Year Ending August 31,</u>	
2021	<u>\$ 2,174</u>

NICHOLAS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – LIQUIDITY AND FUNDS AVAILABLE

The Organization has \$1,658,396 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$863,992, grants, contributions, and accounts receivables of \$612,633, promises to give of \$127,129, and prepaid expenses of \$54,642. Included in this balance are \$176,166 of financial assets that are subject to donor or other contractual restrictions that make them unavailable for general expenditure. The receivables noted above are expected to be received in full within one year.

The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents to meet short term normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NICHOLAS HOUSE, INC.

SCHEDULE OF STATE OF GEORGIA CONTRACTS
YEAR ENDED AUGUST 31, 2020

<u>State Agency</u>	<u>Contract</u>	<u>Amount Expended</u>
Georgia Department of Community Affairs	Contract # 19C100	\$ 22,953
Georgia Department of Human Services	Contract # 42700-040-0000086811	<u>76,576</u>
		<u>\$ 99,529</u>

Basis of Presentation

The above amounts reflect federal "pass-thru" amounts. This schedule is prepared using the accrual basis of accounting.

NICHOLAS HOUSE, INC.

**SCHEDULE OF FEDERAL EXPENDITURES
YEAR ENDED AUGUST 31, 2020**

<u>Federal Agency/ Pass-Thru Agency</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Major program:		
U.S. Dept. of Housing and Urban Development / City of Atlanta	14.231	\$ 47,578
U.S. Dept. of Housing and Urban Development / State of Georgia	14.231	22,953
U.S. Dept. of Housing and Urban Development	14.267	342,123
Non-major program:		
U.S. Dept. of Housing and Urban Development / City of Atlanta	14.218	141,871
U.S. Dept. of Housing and Urban Development / City of Atlanta	14.239	157,483
Fulton County	21.019	98,348
Dekalb County	21.019	3,321
U.S. Dept. of Health and Human Services / State of Georgia	93.558	76,577
Federal Emergency Management Agency	97.024	<u>33,000</u>
		<u>\$ 923,254</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity for Nicholas House, Inc. under programs of the federal government for the year ended August 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Nicholas House, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Nicholas House, Inc.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors and Officers of
Nicholas House, Inc.
Atlanta, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Nicholas House, Inc. (the “Organization”), which comprise the statement of financial position as of August 31, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blad & Associates, P.C.

Dunwoody, Georgia
June 11, 2021

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors and Officers of
Nicholas House, Inc.
Atlanta, Georgia

Report on Compliance for Each Major Federal Program

We have audited Nicholas House, Inc.’s (the “Organization”) compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization’s major federal programs for the year ended August 31, 2020. The Organization’s major federal programs are identified in the summary of auditor’s results of the accompanying schedule of findings.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization’s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blad & Associates, P.C.

Dunwoody, Georgia
June 11, 2021

Nicholas House, Inc.

SCHEDULE OF FINDINGS Year Ended August 31, 2020

A. SUMMARY OF AUDIT FINDINGS

1. The auditor's report expresses an unmodified opinion on the financial statements of Nicholas House, Inc.
2. During the audit of the financial statements, we found no material weaknesses or significant deficiencies in internal control.
3. No instances of noncompliance material to the financial statements of Nicholas House, Inc. which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies relating to the internal control over the major federal program are reported in the Independent Auditor's Report on Compliance for Each Major Program and Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program for Nicholas House, Inc. expresses an unmodified opinion on the major federal program.
6. The programs under 14.231 and 14.267 were tested as major programs.
7. The threshold for distinguishing Types A and B programs was \$750,000.
8. Nicholas House, Inc. was determined to not be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS– MAJOR FEDERAL AWARD PROGRAM AUDIT

None

Nicholas House, Inc.

**CORRECTIVE ACTION PLAN
Year Ended August 31, 2020**

FINDINGS – FINANCIAL STATEMENTS AUDIT

None