

NICHOLAS HOUSE, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

NICHOLAS HOUSE, INC.

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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

Opinion

We have audited the accompanying financial statements of Nicholas House, Inc. which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related summary of accounting policies and notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits for the years ended August 31, 2021 and 2020, in accordance with 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. 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 the Nicholas House, 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 audit opinion.

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.

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 Nicholas House, 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.

Auditor's Responsibilities for the Audit of the Financial Statements, continued

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 Nicholas House, 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 Nicholas House, 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Supplementary Information

Our audits were 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 expenditures of federal awards, 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 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 audits 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 schedule of expenditures of federal awards 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 May 3, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Nicholas House, Inc.'s 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

May 3, 2023

NICHOLAS HOUSE, INC.
Statements of Financial Position

| | As of August 31, | |
|--|------------------|--------------|
| | 2021 | 2020 |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 2,726 | \$ 863,992 |
| Grants receivable, net of bad debt reserve of \$38,000 as of 2021 | 800,020 | 604,392 |
| Contributions receivable | 17,500 | 7,500 |
| Promises to give, net (Note 3) | 202,634 | 127,129 |
| Other receivables | 8,318 | 741 |
| Prepaid expenses and other assets | 6,025 | 54,642 |
| Total Current Assets | 1,037,223 | 1,658,396 |
| CASH RESTRICTED FOR PROPERTY AND EQUIPMENT (Note 6) | 70,536 | 70,536 |
| LONG-TERM PROMISES TO GIVE, NET (Note 3) | 196,974 | 127,713 |
| PROPERTY AND EQUIPMENT, less accumulated depreciation of \$595,749 and \$552,377, respectively (Note 4) | 121,594 | 150,710 |
| TOTAL ASSETS | \$ 1,426,327 | \$ 2,007,355 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 56,746 | \$ 64,269 |
| Paycheck Protection Program loan (Note 2) | - | 55,000 |
| Escrow accounts | 4,725 | 4,725 |
| Deferred revenue | 39,660 | 657,673 |
| Line of credit (Note 8) | 109,397 | 75,000 |
| Current maturities of notes payable (Note 8) | - | 2,174 |
| Total Current Liabilities | 210,528 | 858,841 |
| NOTES PAYABLE, less current maturities (Note 8) | - | - |
| TOTAL LIABILITIES | 210,528 | 858,841 |
| NET ASSETS: | | |
| Without donor restrictions | 593,155 | 773,599 |
| With donor restrictions (Note 6): | | |
| Purpose restricted | 191,454 | 75,586 |
| Time restricted | 430,690 | 298,829 |
| Perpetual in nature | 500 | 500 |
| Total Net Assets | 1,215,799 | 1,148,514 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,426,327 | \$ 2,007,355 |

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

NICHOLAS HOUSE, INC.
Statement of Activities
For the Year Ended August 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total Net Assets |
|--|-------------------------------|----------------------------|---------------------|
| PUBLIC SUPPORT AND REVENUE: | | | |
| Grants and contracts | \$ 2,344,732 | \$ - | \$ 2,344,732 |
| Contributions | 397,827 | 567,260 | 965,087 |
| Paycheck Protection Program forgiveness | 55,000 | - | 55,000 |
| Contributed rent | 80,000 | - | 80,000 |
| Contributed materials and services | 278,580 | - | 278,580 |
| Fundraising, net of direct benefits of \$112,291 | 364,908 | - | 364,908 |
| Total Public Support and Revenue before Transfers | 3,521,047 | 567,260 | 4,088,307 |
| Net Assets Released from Restrictions due to Satisfaction of Donor-imposed Requirements | 319,531 | (319,531) | - |
| Total Public Support and Revenue | 3,840,578 | 247,729 | 4,088,307 |
| EXPENSES: | | | |
| Program | 3,452,673 | - | 3,452,673 |
| Management and general | 176,425 | - | 176,425 |
| Fundraising | 391,924 | - | 391,924 |
| Total Expenses | 4,021,022 | - | 4,021,022 |
| CHANGES IN NET ASSETS | (180,444) | 247,729 | 67,285 |
| NET ASSETS: | | | |
| Beginning of year | 773,599 | 374,915 | 1,148,514 |
| End of year | \$ 593,155 | \$ 622,644 | \$ 1,215,799 |

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, net of direct benefits of \$425 | 231,908 | - | 231,908 |
| Other Income | 25,698 | - | 25,698 |
| | <hr/> | <hr/> | <hr/> |
| Total Public Support and Revenue before Transfers | 2,557,203 | 196,636 | 2,753,839 |
| 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/> |
| | 2,809,234 | (55,395) | 2,753,839 |
| EXPENSES: | | | |
| Program | 2,107,863 | - | 2,107,863 |
| Management and general | 113,291 | - | 113,291 |
| Fundraising | 356,462 | - | 356,462 |
| | <hr/> | <hr/> | <hr/> |
| Total Expenses | 2,577,616 | - | 2,577,616 |
| 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 Functional Expenses
For the Year Ended August 31, 2021

| | <u>Program</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|------------------------------------|---------------------|-----------------------------------|--------------------|---------------------|
| Compensation | \$ 810,370 | \$ 29,042 | \$ 139,469 | \$ 978,881 |
| Outside services | 217,437 | 48,110 | 175,004 | 440,551 |
| Office | 25,931 | 33 | 1,015 | 26,979 |
| Occupancy | 81,301 | 2,929 | 11,709 | 95,939 |
| Travel | 13,866 | 176 | 375 | 14,417 |
| Insurance | 48,072 | 4,713 | 8,435 | 61,220 |
| Supplies | 16,532 | - | - | 16,532 |
| Telecommunications | 18,538 | 80 | 400 | 19,018 |
| Postage and printing | 11,767 | 1,036 | 34,061 | 46,864 |
| Client assistance | 1,779,573 | - | 424 | 1,779,997 |
| Depreciation | 35,569 | 1,561 | 6,241 | 43,371 |
| Bad debt | 51,343 | 59,120 | - | 110,463 |
| Contributed rent | 60,000 | 8,000 | 12,000 | 80,000 |
| Contributed materials and services | 278,579 | - | - | 278,579 |
| Other | 3,795 | 21,625 | 2,791 | 28,211 |
| | <u>3,452,673</u> | <u>176,425</u> | <u>391,924</u> | <u>4,021,022</u> |
| Total Expenses | <u>\$ 3,452,673</u> | <u>\$ 176,425</u> | <u>\$ 391,924</u> | <u>\$ 4,021,022</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 | 25,186 | 3,703 | 32,210 |
| | <u>3,321</u> | <u>25,186</u> | <u>3,703</u> | <u>32,210</u> |
| Total Expenses | <u><u>\$ 2,107,863</u></u> | <u><u>\$ 113,291</u></u> | <u><u>\$ 356,462</u></u> | <u><u>\$ 2,577,616</u></u> |

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

NICHOLAS HOUSE, INC.
Statement of Cash Flows

| | For the Years Ended | |
|--|----------------------------|-------------------|
| | August 31, | |
| | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ 67,285 | \$ 176,223 |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 43,371 | 41,464 |
| Bad debt expense | 110,463 | 26,345 |
| Paycheck Protection Program loan forgiveness | (55,000) | - |
| (Increase) decrease in grants receivable | (195,628) | (201,498) |
| (Increase) decrease in contributions receivable | (10,000) | 20,000 |
| (Increase) decrease in promises to give | (255,229) | (75,971) |
| (Increase) decrease in other receivables | (7,577) | (348) |
| (Increase) decrease in prepaid expenses | 48,617 | (34,395) |
| Increase (decrease) in accounts payable and accrued expenses | (7,523) | 1,063 |
| Increase (decrease) in deferred revenue | (618,013) | 657,673 |
| | (879,234) | 610,556 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (14,255) | (18,288) |
| | (14,255) | (18,288) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from notes payable and line of credit | 109,600 | 75,000 |
| Repayment on notes payable and line of credit | (77,377) | (83,812) |
| Paycheck Protection Program loan | - | 55,000 |
| | 32,223 | 46,188 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (861,266) | 638,456 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 934,528 | 296,072 |
| End of year | \$ 73,262 | \$ 934,528 |
| SUPPLEMENTAL INFORMATION: | | |
| Interest paid | \$ 73 | \$ 292 |
| Cash Reconciliation: | | |
| Cash and cash equivalents | \$ 2,726 | \$ 863,992 |
| Assets restricted for long-term use: cash | 70,536 | 70,536 |
| | \$ 73,262 | \$ 934,528 |

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, is \$221,644 and \$132,860, 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.

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

RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the report results of operations.

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, 2021 and 2020, these financial statements include donated services totaling \$5,125 and \$10,625 and donated materials totaling \$273,454 and \$252,335, respectively. Donated services consist primarily of educational and technology services. The financial statements include donated office space totaling annually \$80,000 for both 2021 and 2020.

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, 2021, the Organization received approximately 35% of its revenue from U.S. Dept. of the Treasury. 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.

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 – 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. Additionally, the City of Atlanta has experienced significant employee turnover and the Organization's executive director unexpectedly passed away in August 2021.

As a result, the reimbursement process for the City of Atlanta was delayed under most HUD funded contracts. As of August 31, 2021, receivables include a total of \$772,582 owed from the City of Atlanta under multiple HUD funded contracts. As of report date, substantially all funds related to these receivables have been paid to the Organization. Subsequent to year end, the Organization was awarded additional funding by the City of Atlanta but still waiting for a contract agreement to be executed.

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.

NOTE 2 – ECONOMIC UNCERTAINTY DUE TO COVID-19 PANDEMIC AND PPP LOAN

During the years of August 31, 2021 and 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.

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. In May 2021, the Organization applied for and received full forgiveness from its lender for the PPP loan and recognized \$55,000 of related revenue in the year ended August 31, 2021.

NICHOLAS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PROMISES TO GIVE

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

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Receivable in less than one year | \$ 320,620 | \$ 217,852 |
| Receivable in one to five years | <u>262,632</u> | <u>169,850</u> |
| Total unconditional promises to give | 583,252 | 387,702 |
| Less: allowance for uncollectible promises | <u>(183,644)</u> | <u>(132,860)</u> |
| Net unconditional promises to give | <u>\$ 399,608</u> | <u>\$ 254,842</u> |
| Recap: | | |
| Current receivable, net of allowance | \$ 202,634 | \$ 127,129 |
| Long-term receivable, net of allowance | <u>196,974</u> | <u>127,713</u> |
| Net unconditional promises to give | <u>\$ 399,608</u> | <u>\$ 254,842</u> |

NOTE 4 – PROPERTY AND EQUIPMENT

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

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|-------------------|-------------------|
| Leasehold improvements | \$ 432,585 | \$ 436,484 |
| Vehicles | 90,870 | 90,870 |
| Furniture and equipment | <u>193,888</u> | <u>175,733</u> |
| | 717,343 | 703,087 |
| Less: accumulated depreciation | <u>(595,749)</u> | <u>(552,377)</u> |
| | <u>\$ 121,594</u> | <u>\$ 150,710</u> |

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, 2021 and 2020, the expense under these operating leases totaled approximately \$15,000 and \$27,000, respectively. Future minimum lease payment under the lease are as follows:

| <u>Year Ending August 31,</u> | |
|-------------------------------|-----------------|
| 2022 | \$ 4,872 |
| 2023 | <u>2,436</u> |
| | <u>\$ 7,308</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, 2021 and 2020, net assets with donor restrictions for specific purposes, included in cash and receivables, consisted of the following donor designated contributions:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-------------------|-------------------|
| Building purchase | \$ 70,536 | \$ 70,536 |
| Case Management | 550 | 54,917 |
| Food & Medicine | 10,000 | 10,000 |
| Timing restrictions | 430,690 | 233,412 |
| Capital Campaign | 10,050 | 5,050 |
| Women’s Economic Empowerment | 74,900 | - |
| Financial Assistance Program | 25,000 | - |
| Other | 418 | - |
| Perpetual | <u>500</u> | <u>500</u> |
| | <u>\$ 622,644</u> | <u>\$ 374,415</u> |

At August 31, 2021 and 2020, \$195,973 and \$145,022, respectively, of these net assets were included in cash. The remaining \$426,671 and \$229,393, respectively, were included in receivables.

Net assets with donor restrictions in perpetuity, at August 31, 2021 and 2020, were \$500 and consist of endowment funds for which the income is unrestricted.

NICHOLAS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – DEFINED CONTRIBUTION 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, 2021 and 2020, the Organization made contributions to the plan totaling \$677 and \$600, respectively.

NOTE 8 – DEBT

The Organization has a \$500,000 line of credit with a bank. The line of credit is collateralized primarily by inventory (if any), equipment and receivables and matures on August 27, 2023. 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, 2021 and August 31, 2020, the outstanding balance totaled \$109,397 and \$75,000, respectively.

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

| | <u>2021</u> | <u>2020</u> |
|--|-------------|----------------|
| 4.19% note payable to a bank in monthly installments of \$758 including interest through November 2020, secured by a vehicle. The note was paid off during the year ended August 31, 2021. | \$ - | \$ 2,174 |
| Less current portion of notes payable | <u>-</u> | <u>(2,174)</u> |
| Long-term portion | <u>\$ -</u> | <u>\$ -</u> |

NICHOLAS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – LIQUIDITY AND FUNDS AVAILABLE

The Organization has \$1,031,198 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 \$2,726, grants, contributions, and accounts receivables of \$825,838, and promises to give of \$202,634. Included in this balance are \$354,634 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, 2021

| <u>State Agency</u> | <u>Contract</u> | <u>Amount Expended</u> |
|--|-------------------|----------------------------|
| Georgia Department of Community Affairs | Contract # 20C251 | <u>\$ 35,828</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, 2021**

| <u>Federal Agency/ Pass-Thru Agency</u> | <u>CFDA #</u> | <u>Amount Expended</u> |
|--|---------------|----------------------------|
| Major program: | | |
| U.S. Dept. of the Treasury / City of Atlanta/ United Way of Metro Atlanta | 21.023 | \$ 1,045,174 |
| Non-major program: | | |
| U.S. Dept. of Housing and Urban Development / City of Atlanta | 14.218 | 118,114 |
| U.S. Dept. of Housing and Urban Development / State of Georgia | 14.231 | 35,828 |
| U.S. Dept. of Housing and Urban Development / City of Atlanta | 14.231 | 157 |
| U.S. Dept. of Housing and Urban Development / City of Atlanta | 14.239 | 279,054 |
| U.S. Dept. of Housing and Urban Development | 14.267 | 311,886 |
| U.S. Dept. of the Treasury / Fulton County of GA | 21.019 | 65,780 |
| U.S. Dept. of the Treasury / DeKalb County of GA | 21.019 | 96,680 |
| U.S. Dept. of Homeland Security / Federal Emergency Management Agency | 97.024 | <u>15,000</u> |
| | | <u>\$ 1,967,673</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, 2021. 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, 2021 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 May 3, 2023.

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 Organization's 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control, described in the accompanying schedule of findings, that we consider to be material weaknesses (Findings 2021-001 and 2021-002).

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings, as finding 2021-003.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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
May 3, 2023

**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, 2021. The Organization’s major federal programs are identified in the summary of auditor’s results of the accompanying schedule of findings.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major program for the year ended August 31, 2021

Basis for Qualified Opinion

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

As described in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding finding 2021-004 for eligibility.

Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization’s federal programs.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

**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, continued

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2021-004 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2021-005 to be a significant deficiency,

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blad & Associates, P.C.

Dunwoody, Georgia
May 3, 2023

Nicholas House, Inc.

SCHEDULE OF FINDINGS Year Ended August 31, 2021

A. SUMMARY OF AUDIT FINDINGS

Financial Statements

The type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiencies identified? Yes

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) Yes

Identification of major programs: U.S. Dept. of the Treasury /
Emergency Rental Assistance

CFDA No. 21.023

Dollar threshold used to distinguish between type A and B programs: \$750,000

Auditee qualified as low-risk auditee? No

Nicholas House, Inc.

SCHEDULE OF FINDINGS Year Ended August 31, 2021 (Continued)

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Material Weakness

2021-001

Criteria: The Organization should have a record retention policy that ensures all supporting documentation is readily available.

Condition: The Organization did not have an adequate record retention policy and was unable to provide timely supporting documentation in several instances. The executive director maintained certain grant/contract related records in a disorderly manner in his office.

Cause: During the fiscal year, the Organization's executive director died suddenly and unexpectedly. The Executive Director was the only individual with adequate knowledge of certain contract/grant related supporting documentation. Upon his death, management had difficulty retrieving these documents.

Effect: Unable to retrieve certain supporting documentation on a timely basis. Ultimately, management was able to retrieve most of the documentation after much difficulty.

Recommendation: We recommend the Organization implement and consistently apply sufficient written record retention policies in order to ensure all supporting documentation is available in the event unforeseen organization turnover occurs.

Identification of a Repeat Finding: Not applicable. This is a new finding for fiscal year ended August 31, 2021.

Views of Responsible Officials and Planned Corrective Actions: We recognize this situation occurred and are taking active efforts to implement additional record retention policies.

Nicholas House, Inc.

SCHEDULE OF FINDINGS Year Ended August 31, 2021 (Continued)

B. FINDINGS – FINANCIAL STATEMENTS AUDIT, continued

Material Weakness

2021-002

Criteria: The Organization should perform timely year-end closing procedures in accordance with GAAP.

Condition: The Organization did not perform substantially all year-end closing procedures in a timely manner.

Cause: During the fiscal year, the Organization's executive director died suddenly and unexpectedly. This caused a delay in the audit in order to hire a new executive director. In addition, a new outsourced accountant was hired, but lacked the necessary nonprofit skill, knowledge, and experience. As a result, significant time was lost and the Organization was forced to spend additional time and resources acquiring new outsourced accounting services. These factors lead to the condition above.

Effect: The lack of year end closing procedures could lead to management making certain decisions based on inaccurate or incomplete financial data.

Recommendation: We recommend the Organization implement and consistently apply sufficient year end closing policies in order to properly close its books on a timely basis.

Identification of a Repeat Finding: Not applicable. This is a new finding for fiscal year ended August 31, 2021.

Views of Responsible Officials and Planned Corrective Actions: We recognize this situation occurred and are taking active efforts to implement this recommendation.

Compliance

2021-003

Same finding as 2021-004 (see detail in that finding)

Nicholas House, Inc.

SCHEDULE OF FINDINGS Year Ended August 31, 2021 (Continued)

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT

Emergency Rental Assistance - #21.023

Material Weakness

2021-004

Criteria: The Organization is required to establish and consistently follow reasonable procedures for implementing an eligibility determination process.

Condition: The Organization was unable to locate and provide supporting documentation related to the initial eligibility determination process. We understand the pass-through agency providing funding to the Organization identified some of these issues during the monitoring process.

Cause: We understand the Emergency Rental Assistance program was a new program which caused some implementation issues for both the Organization and the pass-through agency.

Effect: We understand the program guidelines were modified to allow client self-certification of income eligibility and covid impact. However, the Organization could not provide documentation related to this process. In another instance, the Organization could not locate any client files for a transaction. Management represents the pass-through agency is aware of some of these issues.

Context: Out of a test sample of 40 transactions related to client emergency assistance, we determined 16 transactions with missing documentation related to eligibility.

Recommendation: We recommend the Organization establish and consistently follow reasonable procedures for implementing an eligibility determination process. Sufficient documents related to this process should be retained. Organization should again verify the eligibility of the recipients whose documentation could not be located.

Identification of a Repeat Finding: Not applicable. This is a new finding for fiscal year ended August 31, 2021.

Views of Responsible Officials and Planned Corrective Actions: We recognize this situation occurred and are taking active efforts to implement and apply additional recordkeeping policies.

Nicholas House, Inc.

SCHEDULE OF FINDINGS Year Ended August 31, 2021 (Concluded)

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT, continued

Emergency Rental Assistance - #21.023

Significant Deficiency

2021-005

Criteria: Costs must meet the allowable costs/cost principles in 2 CFR Part 200, Subpart E.

Condition: The Organization submitted a client emergency assistance related amount that was never disbursed during the contract period.

Cause: The Organization failed to reduce the submitted client assistance amount submitted to for the program for amounts ultimately voided or not disbursed.

Effect: We perused the client's QuickBooks records for similar transactions and identified three additional amounts totaling \$6,107 related to amounts never disbursed.

Context: Out of a test sample of 40 transactions related to client emergency assistance, we identified one transaction totaling \$384 that was never disbursed

Recommendation: We recommend the Organization implement sufficient recordkeeping policies in order to properly identify costs charged to the program that ultimately were not paid or voided. The Organization should communicate with the pass-through agency on these items.

Identification of a Repeat Finding: Not applicable. This is a new finding for fiscal year ended August 31, 2021.

Views of Responsible Officials and Planned Corrective Actions: We recognize this situation occurred and are taking active efforts to implement additional recordkeeping policies.

Nicholas House, Inc.

CORRECTIVE ACTION PLAN Year Ended August 31, 2021

CORRECTIVE ACTION PLAN

2021-001

Recommendation: We recommend the Organization implement and consistently apply sufficient written record retention policies in order to ensure all supporting documentation is available in the event unforeseen organization turnover occurs.

Organization's response: The Organization concurs with the finding and will implement our recommendation immediately. Specifically, the Organization has implemented an online document storage system that is accessible to all senior level staff. Each grant or contract as a folder with all documentation related to the grant/contract included. In addition, the Organization implemented bill.com in July 2022 and each invoice paid has a back up documentation attached to the payment. The Manager of Finance and Administration and the Executive Director both have access to bill.com.

Implementation date: These changes were implemented as of January 1, 2023.

Contact: Jannan Thomas, Executive Director

2021-002

Recommendation: We recommend the Organization implement and consistently apply sufficient year end closing policies in order to properly close its books on a timely basis.

Organization's response: The Organization concurs with the finding and will implement our recommendation immediately. The Organization has implemented a monthly closing policy. This ensures that all monthly activities are recorded in the correct month before that month is closed. This policy also ensures that all activities are entered by the 5th of the following month, which ensures that everything is completed for a timely month end closing, which ensures that the year is closed in a timely manner.

Implementation date: This new policy has already been implemented as of March 1, 2023.

Contact: Jannan Thomas, Executive Director

Nicholas House, Inc.

CORRECTIVE ACTION PLAN Year Ended August 31, 2021 (Continued)

CORRECTIVE ACTION PLAN, continued

2021-003 and 2021-004

Recommendation: We recommend the Organization establish and consistently follow reasonable procedures for implementing an eligibility determination process. Sufficient documents related to this process should be retained.

Organization's response: The Organization concurs with the finding and will implement our recommendation immediately. Specifically, the Organization created a new program oversight position that will perform quarterly internal audits of each government funding program to ensure all documentation is available and properly retained.

Implementation date: The first quarterly internal audit was completed on April 14, 2023. Our next internal audit will be completed in July 2023 and will be conducted every quarter going forward.

Contact: Jannan Thomas, Executive Director

2021-005

Recommendation: We recommend the Organization implement sufficient recordkeeping policies in order to properly identify costs charged to the program that ultimately were not paid or voided.

Organization's response: The Organization concurs with the finding and will implement our recommendation immediately. Specifically, all future reimbursement requests will not be submitted until the checks have cleared the bank account.

Implementation date: This new policy has already been implemented as of January 1, 2023.

Contact: Jannan Thomas, Executive Director