

HOUSE OF CHERITH, INC.

Financial Statements
and Independent Auditor's Report

For the Years Ended
December 31, 2021 and 2020

HOUSE OF CHERITH, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and management
House of Cherith, Inc.
1300 Joseph E. Boone Boulevard
Atlanta, GA 30314

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of House of Cherith, Inc., as of December 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 in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of House of Cherith, 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements


Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of House of Cherith, 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 House of Cherith, Inc.'s ability to continue as a going concern for a reasonable period of time.

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


Rea CPA Group PC
Tucker, GA
September 2, 2022

HOUSE OF CHERITH, INC.

Statements of Financial Position
As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 803,599	\$ 1,469,362
Grants and contributions receivable	15,000	15,000
Prepaid assets and other	17,204	29,365
Total current assets	<u>835,803</u>	<u>1,513,727</u>
Property and equipment, net	<u>2,773,993</u>	<u>1,545,453</u>
TOTAL ASSETS	<u><u>\$ 3,609,796</u></u>	<u><u>\$ 3,059,180</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 63,735	\$ 10,886
Accrued payroll	46,204	28,259
Payroll taxes payable	12,137	8,340
Total current liabilities	<u>122,076</u>	<u>47,485</u>
TOTAL LIABILITIES	<u>122,076</u>	<u>47,485</u>
Net Assets		
Without donor restrictions	3,487,720	1,867,742
With donor restrictions	-	1,143,953
Total net assets	<u>3,487,720</u>	<u>3,011,695</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,609,796</u></u>	<u><u>\$ 3,059,180</u></u>

See Accompanying Notes to the Financial Statements

HOUSE OF CHERITH, INC.

Statements of Activities and Changes in Net Assets
For the Years Ending December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Contributions	\$2,158,325	\$ -	\$ 2,158,325	\$ 1,490,241	\$ 1,143,953	\$ 2,634,194
Private foundations grants	132,726	-	132,726	112,714	-	112,714
Service fees	55,614	-	55,614	-	-	-
Government grant	-	50,000	50,000	-	-	-
In kind contributions	-	-	-	385,000	-	385,000
Other income	6,288	-	6,288	1,289	-	1,289
Net Assets released from restrictions	1,193,953	(1,193,953)	-	480,000	(480,000)	-
Total receipts	3,546,906	(1,143,953)	2,402,953	2,469,244	663,953	3,133,197
Expenses						
Program	1,556,671	-	1,556,671	1,037,223	-	1,037,223
Management and general	116,210	-	116,210	101,296	-	101,296
Fundraising	254,047	-	254,047	140,450	-	140,450
Total expenses	1,926,928	-	1,926,928	1,278,969	-	1,278,969
Change in net assets before non operating receipts	1,619,978	(1,143,953)	476,025	1,190,275	663,953	1,854,228
Gain on loan forgiveness	-	-	-	200,000	-	200,000
Change in net assets	1,619,978	(1,143,953)	476,025	1,390,275	663,953	2,054,228
Net assets beginning of year	1,867,742	1,143,953	3,011,695	477,467	480,000	957,467
Net assets end of year	\$3,487,720	\$ -	\$ 3,487,720	\$ 1,867,742	\$ 1,143,953	\$ 3,011,695

See Accompanying Notes to the Financial Statements

HOUSE OF CHERITH, INC.

Statements of Cash Flows For the Years Ending December 31, 2021 and 2020

	2021	2020
Operating Activities		
Increase (Decrease) in Net Assets	\$ 476,025	\$ 1,854,228
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	161,958	66,431
(Increase) decrease in grants and contributions receivable	-	15,000
(Increase) decrease in prepaid assets and other	12,161	(19,446)
Increase in accounts payable and accrued liabilities	74,591	9,336
Net Cash Provided by (Used in) Operating Activities	<u>724,735</u>	<u>1,925,549</u>
Investing Activities		
Capital expenditures	(1,390,498)	(1,385,963)
Net Cash Provided by (Used in) Investing Activities	<u>(1,390,498)</u>	<u>(1,385,963)</u>
Financing Activities		
Paycheck Protection Program Loan	-	200,000
Net Cash Provided by (Used in) Financing Activities	<u>-</u>	<u>200,000</u>
Net Increase (decrease) in cash and cash equivalents	(665,763)	739,586
Cash and cash equivalents - beginning of year	1,469,362	729,776
Cash and cash equivalents - end of year	<u>\$ 803,599</u>	<u>\$ 1,469,362</u>
Supplemental Disclosure of Non-cash Activity		
In kind donations	<u>\$ 385,000</u>	<u>\$ 385,000</u>
PPP loan forgiveness	<u>\$ -</u>	<u>\$ 200,000</u>

See Accompanying Notes to the Financial Statements

HOUSE OF CHERITH, INC.

Statements of Functional Expenses For the Years Ending December 31, 2021 and 2020

	Year Ending December 31, 2021			
	Program Services	Management and General	Fundraising	Grand Total
Compensation	\$ 938,900	\$ 60,723	\$ 61,583	\$ 1,061,205
Taxes and fringes	81,006	6,126	5,700	92,832
Total compensation costs	1,019,905	66,849	67,283	1,154,037
Fundraising and grant writing	-	-	175,981	175,981
Depreciation	132,806	29,152	-	161,958
Insurance	114,696	11,431	10,585	136,712
Food and supplies	83,224	74	-	83,298
Outside services	64,855	-	-	64,855
Equipment and maintenance	41,219	4,077	-	45,296
Financial and benevolent assistance	42,567	-	-	42,567
Property taxes	28,075	-	-	28,075
Travel	13,706	673	-	14,379
Other	15,618	3,954	198	19,770
Total	\$ 1,556,671	\$ 116,210	\$ 254,047	\$ 1,926,928
Percentage of total expense	81%	6%	13%	100%

	Year Ending December 31, 2020			
	Program Services	Management and General	Fundraising	Grand Total
Compensation	\$ 701,090	\$ 46,836	\$ 82,201	\$ 830,127
Taxes and fringes	59,895	4,001	3,334	67,230
Total compensation costs	760,985	50,837	85,535	897,357
Fundraising and grant writing	-	-	42,287	42,287
Depreciation	50,865	15,566	-	66,431
Insurance	108,215	19,519	1,855	129,589
Food and supplies	60,656	3,526	-	64,182
Outside services	18,272	8,809	5,162	32,243
Equipment and maintenance	21,398	1,305	1,787	24,490
Financial and benevolent assistance	7,730	331	-	8,061
Property taxes	-	-	-	-
Travel	3,123	-	475	3,598
Other	5,979	1,403	3,349	10,731
Total	\$ 1,037,223	\$ 101,296	\$ 140,450	\$ 1,278,969
Percentage of total expense	81%	8%	11%	100%

HOUSE OF CHERITH, INC.

Notes to the Financial Statements

For the Years Ending December 31, 2021 and 2020

NOTE A - ORGANIZATION AND PURPOSE

House of Cherith, Inc. (HOC) is a nonprofit organization incorporated under the laws of the State of Georgia. HOC serves as a safe and refreshing home for victims of sexual exploitation and trafficking. The goal of HOC is to provide women with the opportunity for rescue, restoration, and a chance to start a new life. HOC also provides both short-term and long-term housing, case management, social work programs, trauma informed care, medical, mental health, and vision care as well as spiritual and vocational training.

HOC was a ministry of City of Refuge, Incorporated (COR), a nonprofit organization. HOC has operated independently from COR since 2019. During 2021 and 2020, HOC received monetary support from COR.

HOC's major programs include:

Safe House

HOC provides a safe environment for female victims of sexual exploitation. The primary goal of the Safe House is to place women in a long-term recovery program. The stay is intended to be a time of respite, reflection, recovery and restoration, providing a safe and comfortable environment coupled with activities to help guide residents through the process of determining healthy next steps for their journey to full recovery. Women are transitioned to HOC long-term or other long-term programs.

The strategic goal is to deliver safe and sustainable emergency housing and support services where women are able to make clear, conscious, and sober decisions about taking the next steps in their lives beyond exploitation.

Long-Term Care

HOC delivers safe and sustainable long-term and transitional housing and support services where women are able to recover from their trauma and prepare to live a self-sufficient lifestyle.

In the 12-15 month long-term phase of Program II, women are provided case management and comprehensive support to become healthy emotionally and physically, maintain sobriety, and secure employment. When ready, women graduate to the 6-9-month transitional phase of the program where their focus is to transition from program dependence to self-sufficiency.

HOC's key outcomes are that within 12 months after program completion, women who graduate 1) are living independently in permanent housing 2) feel safe in their new environment 3) have access to reliable transportation 4) are employed and earning at least 250% of federal poverty line 5) have visited the dentist for an annual cleaning 6) have visited the doctor for an annual physical 7) are continuing to be treated for long-term mental health needs 8) are emotionally stable 9) are free of addictions 10) are able to be reunified with family (living with or in good relationship) and 11) have returned to HOC to volunteer or work as an employee.

Junior Care

HOC delivers safe and sustainable long-term care to minors that have experienced sexual trafficking, trauma, or exploitation, to empower them to successfully reintegrate into society and face their trauma in a healthy manner.

HOUSE OF CHERITH, INC.
Notes to the Financial Statements
For the Years Ending December 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies of HOC is presented to assist in understanding of the accompanying financial statements. The financial statements and accompanying notes are presentations of HOC's management. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied in the preparation of the accompanying financial statements.

Basis of Accounting:

The accompanying financial statements reflect the accounts of HOC and have been prepared on the accrual basis of accounting in accordance with GAAP.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, HOC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. HOC maintains its cash in a highly liquid account in order to meet cash needs for general expenditures within one year from the date of the financial statements. HOC did not have any cash equivalents at December 31, 2021 and 2020.

Net Assets:

Net assets, revenue, and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintain in perpetuity. HOC did not have any net assets of a perpetual nature at December 31, 2021 and 2020.

In-Kind and Non-Cash Contributions:

HOC receives in-kind donations to assist in its operations. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the recipient. Investments or goods are valued at fair market value at the date of the donation. In-kind donations were \$385,000 in 2020, which consists of a property donation from an individual.

Functional Expense:

The cost of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. HOC incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. HOC also conducts a number of activities which benefit both its program objectives as well as support services (i.e., fundraising and management and gen-

HOUSE OF CHERITH, INC.
Notes to the Financial Statements
For the Years Ending December 31, 2021 and 2020

eral activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount or estimates of time and effort incurred by personnel.

Concentrations:

Financial instruments that potentially subject HOC to concentration credit risk consists principally of cash accounts at financial institutions. At times, cash balances exceed federally insured amounts. HOC has not experienced any losses in such account and believes it is not exposed to any significant credit risk. If liquidity issues arise in the global credit and capital markets, it is at least reasonable possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

HOC received \$1,519,433 (63%) and \$944,927 (28%) in contributions from COR in 2021 and 2020, respectively. In 2020 HOC received a restricted donation of \$1,000,000 or 30% of total revenue from an individual for the purchase of a facility in Dallas, Georgia.

Property and Equipment:

HOC capitalizes all expenditures for property, furniture, fixtures and equipment in excess of \$1,000. Property and equipment are recorded at cost or fair value, if donated, and are depreciated using straight line methods over their estimated useful lives. Estimated useful lives are as follows:

Furniture, fixtures and equipment	3-20 years
Kitchen equipment	10 years
Building improvements	5-20 years
Buildings	30 years

Tax Status:

HOC is a tax-exempt organization under Section 501 (c)(3) of the U.S. Internal Revenue Code. Accordingly, the accompanying financial statements do not include federal and state income taxes from HOC's activities.

HOC follows authoritative guidance which requires HOC to evaluate its tax positions for any uncertainties based on the technical merits of the position taken. HOC recognizes the tax obligation from an uncertainty tax position only if it is more likely than not the tax position will not be upheld upon examination by taxing authorities. As of December 31, 2021, HOC does not believe it has any uncertain tax positions.

In the normal course of business, HOC is subject to income tax examinations for its U.S. federal and state filings for the current tax year and previous filings for years 2018, 2019, and 2020, which are still open under the statute of limitations.

Advertising Costs

Advertising costs are expensed as incurred. Advertising and marketing costs of \$42,236 and \$32,253 were charged to expenses as incurred for the fiscal years ending December 31, 2021 and 2020, respectively.

Subsequent Events:

Management has evaluated events and transactions that occurred between January 1, 2022 and the date of the independent auditor's report, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

HOUSE OF CHERITH, INC.
Notes to the Financial Statements
For the Years Ending December 31, 2021 and 2020

Revenue Recognition

Contributions

Contributions received are considered to be unconditional if there are no barriers that must be overcome before a recipient is entitled to the assets transferred or promised, and/or there is not a right of return of the assets received by the recipient back to the donor or a right of release of the donor's obligation to transfer assets to the recipient. If there is a barrier that must be overcome for the recipient to be entitled to assets from the donor and there is a right of return of assets transferred from the recipient back to the donor or a right of release of future delivery of assets from the donor to the recipient, then the donation is considered to be conditional. Additionally, contributions received are not considered to be exchange transactions as the donor does not receive commensurate value for the assets it transfers to the recipient. Unconditional contributions are recognized as revenue in the reporting period in which assets are received or promised, while exchange transactions are recognized as revenue when performance obligations are satisfied. Contributions with donor-imposed restrictions are unconditional contributions whereby the donors have stipulated as to how the assets transferred to the recipient are to be expended or that the donations are restricted through time stipulations.

HOC receives unconditional contributions for its general operating purposes. During the year ended December 31, 2021, the Organization did not receive any donations that would be accounted for as conditional contributions. In 2020, HOC received \$1,143,953 of conditional contributions.

Exchange Transactions

In 2021, HOC entered into a contract with a local government (the County) whereby HOC provides proven interventions in victims services to positively impact the County funding priority of homelessness. The agreement was for a term of one year. As consideration, HOC accounts for the fair value of the benefits provided as exchange transaction. Amounts received by HOC under the agreement that are in excess of the fair value of the benefits provided are accounted for as contributions.

Performance obligations related to revenue recognized for the services are considered to be met when the services are rendered. Performance obligations related to revenue recognized for the contract are considered to be met over time. When the fair value of multiple performance obligations included under an agreement with a company are in excess of the contract price, the fair value of each performance obligation is adjusted so that the total amount of the performance obligations under contract is equivalent to the fair value of the benefits provided to a company. For performance obligations satisfied over time, the Organization uses the output method to measure its progress in recognizing revenue.

HOC does not have any significant financing components as payment is received at or shortly after the agreement is executed. There are no variable considerations related to services provided by HOC.

There are various factors that affect the revenue recognized from exchange transactions and the cash flows received by HOC including the interest of organizations to participate in the various programs of HOC, general economic conditions, competition from other entities that provide services similar to HOC, and other factors.

Reclassifications

Reclassifications in prior year presentations have been made to maintain consistency with the current year presentations.

HOUSE OF CHERITH, INC.
Notes to the Financial Statements
For the Years Ending December 31, 2021 and 2020

NOTE C – CASH:

The majority of cash reported at December 31, 2021 and 2020 was in a checking account at a regional bank. Accounts at the bank are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At December 31, 2021 and 2020, HOC had \$547,048 and \$1,071,301 in excess of the FDIC insured limit, respectively.

NOTE D – CONTRIBUTIONS RECEIVABLE

At December 31, 2021 contributions receivable consisted of \$15,000 from City of Refuge, Inc. The donation is expected to be received in 2022.

NOTE E – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On April 27, 2020, HOC received a loan (the “Loan”) from Regions Bank in the aggregate amount of \$200,000, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020 in response to the Covid-19 pandemic crisis.

Funds from the Loan could only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under the terms of the PPP, certain amounts of the Loan would be forgiven if used for qualifying expenses as described in the CARES Act. HOC used the entire Loan amount for qualifying expenses and the entire Loan amount was forgiven on February 18, 2021.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 and 2020 consists of:

	2021	2020
Land, buildings and improvements	\$ 2,636,424	\$ 1,507,373
Furniture and equipment	381,524	120,077
Total property and equipment	3,017,948	1,627,450
Less: Accumulated depreciation	(243,955)	(81,997)
Property and equipment - net	\$ 2,773,993	\$ 1,545,453

In 2020, HOC received a property donation of \$385,000 from an individual. Depreciation expense for the year ending December 31, 2021 and 2020 was \$161,958 and \$66,431, respectively.

NOTE G—NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2021 and 2020, net assets with donor restrictions totaled \$0 and \$1,143,953, respectively. In 2020, HOC received a donation of \$1,000,000 from an individual for the acquisition of a property in Dallas, Texas which was completed in 2021. Other net assets with donor restrictions are held for capital, operating and program purposes.

HOUSE OF CHERITH, INC.

Notes to the Financial Statements
For the Years Ending December 31, 2021 and 2020

Description	12/31/20	Donations	Released From	12/31/21
	Balances		Restrictions	Balances
Dallas, Texas Property Acquisition	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
Development of Juvenile Facility	143,953	-	143,953	-
Fulton County Grant	-	50,000	50,000	-
Total Net Assets with Donor Restriction	<u>\$ 1,143,953</u>	<u>\$ 50,000</u>	<u>\$ 1,193,953</u>	<u>\$ -</u>

Description	12/31/19	Donations	Released From	12/31/20
	Balances		Restrictions	Balances
Douglasville Property Acquisition	\$ 475,000		\$ 475,000	\$ -
Dallas, Texas Property Acquisition	-	1,000,000	-	1,000,000
Development of Juvenile Facility	-	143,953	-	143,953
Sanctuary Project	5,000	-	5,000	-
Total Net Assets with Donor Restrictions	<u>\$ 480,000</u>	<u>\$ 1,143,953</u>	<u>\$ 480,000</u>	<u>\$ 1,143,953</u>

NOTE H – RELATED PARTIES

The CEO of COR and the Executive Director of HOC are family members. COR's CEO serves as chair of HOC's board of directors. During 2021, COR contributed \$1,519,433 or 63% to HOC total revenues. In 2020, COR contributed \$944,827 or 28% to HOC total revenues. COR also provides facility space for HOC programs and administration. Fair market value is not reasonably determinable.

NOTE I – SUBSEQUENT EVENTS

Management has evaluated events through the date of this report, which is the date the financial statements were available to be issued.